This Preliminary Official Statement and the information contained herein are subject to completion and amendment. The Notes may not be sold nor may an offer to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Notes in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

NEW ISSUE—FULL BOOK ENTRY

RATINGS: Moody's: MIG 1
S&P: SP-1+
Fitch: F1+

(See "NOTE RATINGS" herein)

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York). In the further opinion of Bond Counsel, interest on the Notes is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Notes. See "TAX MATTERS."

COUNTY OF NASSAU, NEW YORK

General Obligations

$150,000,000* TAX ANTICIPATION NOTES, 2006

consisting of

__% $100,000,000* Tax Anticipation Notes, 2006 Series A

Dated: December 8, 2006 **Due: September 30, 2007**

Priced to Yield ___%

__% $50,000,000* Tax Anticipation Notes, 2006 Series B

Dated: December 8, 2006 **Due: October 31, 2007**

Priced to Yield ___%

The Notes are general obligations of the County of Nassau, New York (the "County"), for the payment of which the County has pledged its faith and credit. All of the taxable real property within the County is subject to the levy of ad valorem taxes without limitation as to rate or amount to pay both the principal of and interest on the Notes.

Interest on the Notes is payable at maturity and shall be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Notes are payable from amounts provided by the County. See "ABOUT THE NOTES" herein.

The Notes will be issued in registered form and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Notes. Purchases will be made in book-entry-only form in the denomination of $5,000 or any integral multiple thereof. Purchasers will not receive physical certificates representing their ownership interest in the Notes. Principal and interest will be paid by the County to DTC which will in turn remit same to its Participants as described herein, for subsequent distribution to the beneficial owner of the Notes. The Notes are not subject to redemption prior to maturity.

The Notes are offered when, as and if issued and received by the Purchasers and subject to the approval of the legality thereof by Orrick, Herrington & Sutcliffe LLP, New York, New York, Bond Counsel. Certain legal matters will be passed upon for the County by the Law Offices of Joseph C. Reid, P.A., New York, New York, Disclosure Counsel. It is anticipated that the Notes will be available for delivery through the facilities of DTC in New York, New York on or about December 8, 2006.

THIS OFFICIAL STATEMENT IS IN A FORM "DEEMED FINAL" BY THE COUNTY FOR THE PURPOSES OF SECURITIES AND EXCHANGE COMMISSION RULE 15c2-12.

November __, 2006

* Preliminary, subject to change.

COUNTY OF NASSAU, NEW YORK

COUNTY EXECUTIVE
Thomas R. Suozzi

COUNTY LEGISLATURE
Presiding Officer
Judith A. Jacobs

Kevan M. Abrahams
Lisanne Altmann
Francis X. Becker, Jr.
John J. Ciotti
Roger H. Corbin
David W. Denenberg
Dennis Dunne, Sr.
Denise Ford
Norma L. Gonsalves
Craig M. Johnson
Edward P. Mangano
David Mejias
Vincent T. Muscarella
Richard J. Nicolello
Joseph K. Scannell
Peter J. Schmitt
Jeffrey W. Toback
Diane Yatauro

COUNTY COMPTROLLER
Howard S. Weitzman

DEPUTY COUNTY EXECUTIVE FOR MANAGEMENT, BUDGET AND FINANCE
Thomas W. Stokes

COUNTY TREASURER
Steven D. Conkling

BUDGET DIRECTOR
Mark Young

COUNTY ATTORNEY
Lorna B. Goodman, Esq.

FINANCIAL ADVISOR
Public Financial Management, Inc.

BOND COUNSEL
Orrick, Herrington & Sutcliffe LLP

DISCLOSURE COUNSEL
Law Offices of Joseph C. Reid, P.A.

No dealer, broker, salesman or other person has been authorized by the County to give any information or to make any representations other than those contained in this Official Statement; and if given or made, such other information or representations must not be relied upon as having been authorized by the County. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Notes by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained by the County from sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the County since the date hereof.

THE NOTES HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAVE THE ORDINANCES OR OTHER PROCEEDINGS OF THE COUNTY BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. ADDITIONALLY, WHILE THE NOTES MAY BE EXEMPT FROM THE REGISTRATION AND QUALIFICATION PROVISIONS OF THE SECURITIES LAWS OF THE VARIOUS STATES, SUCH EXEMPTION CANNOT BE REGARDED AS A RECOMMENDATION OF THE NOTES. NEITHER THE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE NOTES OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

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OFFICIAL STATEMENT

of the

COUNTY OF NASSAU, NEW YORK

Relating to

General Obligations

% $150,000,000* TAX ANTICIPATION NOTES, 2006

consisting of

__% $100,000,000* Tax Anticipation Notes, 2006 Series A

Dated: December 8, 2006 **Due: September 30, 2007**

Priced to Yield ___%

__% $50,000,000* Tax Anticipation Notes, 2006 Series B

Dated: December 8, 2006 **Due: October 31, 2007**

Priced to Yield ___%

INTRODUCTION

This Official Statement, which includes the cover page and appendices, has been prepared by the County of Nassau (the "County"), in the State of New York (the "State"), and provides certain information in connection with the sale by the County of $150,000,000* aggregate principal amount of Tax Anticipation Notes, 2006, dated December 8, 2006 and consisting of $100,000,000* Tax Anticipation Notes, 2006 Series A maturing without option of prior redemption on September 30, 2007 (the "Series A Notes") and $50,000,000* Tax Anticipation Notes, 2006 Series B maturing without option of prior redemption on October 31, 2007 (the "Series B Notes" and, with the Series A Notes, collectively, the "Notes").

The Notes are issued pursuant to the Constitution and statutes of the State, including among others, the Local Finance Law and the County Charter (the "County Charter"). The Notes are being issued to provide monies to meet a cash flow deficit expected to occur during the period the Notes are outstanding. See "CASH FLOW STATEMENTS" herein. The Notes will be general obligations of the County for the payment of which the County has pledged its faith and credit.

The Notes will be issued in anticipation of the collection of real property taxes to be levied for County purposes for the County's fiscal year commencing January 1, 2007 and ending December 31, 2007. The total amount of taxes to be levied for County purposes for its 2007 fiscal year is approximately $758.3 million (Major Operating Funds only, see "STATEMENT OF REVENUES AND EXPENDITURES – Major Operating Funds" herein for a description thereof). None of such taxes has been received as of this date. The County projects that substantially all of such real property taxes will be received by September 30, 2007.

* Preliminary, subject to change.

Since enactment in 2000 of the Nassau County Interim Finance Authority Act, codified as Title I of Article 10-D of the State Public Authorities Law (the "NIFA Act"), creating the Nassau County Interim Finance Authority ("NIFA"), the County's finances have been subject to oversight by NIFA. As part of its oversight responsibilities, NIFA is required to review the terms of and comment on the prudence of each issuance of bonds or notes proposed to be issued by the County, and no such borrowing may be made unless first reviewed and commented upon by NIFA. NIFA has reviewed and commented upon the issuance of the Notes as described in "MONITORING AND OVERSIGHT – External – *NIFA*" herein.

ABOUT THE NOTES

The Notes have been authorized and are to be issued pursuant to the Constitution and laws of the State including the Local Finance Law, constituting Chapter 33-a of the Consolidated Laws of New York, and an ordinance adopted by the Board of Supervisors as the predecessor legislative body to the County Legislature and approved by the County Executive pursuant to the Local Finance Law, the County Charter and the County Administrative Code and other related proceedings and determinations. In addition, as required by law, NIFA reviewed the terms of and commented upon the issuance of the Notes. See "MONITORING AND OVERSIGHT – External – *NIFA*" herein.

The Notes will be general obligations of the County, and will be issued, bear interest, mature and be payable as described on the cover page of this Official Statement and herein. Interest on the Notes will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Notes are being issued to provide monies to meet a cash flow deficit expected to occur during the period the Notes are outstanding. The Notes have been duly authorized and, when executed and delivered, will constitute legal, valid and binding obligations of the County. The County has pledged its faith and credit for the payment of the principal of and interest on the Notes, and, unless paid from other sources, the County is authorized to levy on all real property taxable by the County such ad valorem taxes as may be necessary to pay the Notes and the interest thereon without limitation as to rate or amount. The Notes do not constitute debt of NIFA.

The Notes will be issued in anticipation of the collection of real property taxes to be levied for County purposes for the County's 2007 fiscal year. None of such taxes has been received as of this date. See "REAL PROPERTY TAX ASSESSMENT AND COLLECTION" herein. The County has not previously issued any notes in anticipation of its 2007 fiscal year real property tax collections.

Each Note, when duly issued and paid for will constitute a contract between the County and the holder thereof. Whenever the principal amount of the Notes equals the amount of taxes remaining uncollected for the fiscal year for which the taxes were or are to be levied, all such uncollected taxes, as thereafter collected, must be set aside in a separate account to be used only for the payment of the Notes, unless other provision is made by budgetary appropriation for the redemption of the Notes.

Taxes Available for the Payment of the Notes

Real property taxes, which are levied on an annual basis by the County for the fiscal year January 1 through December 31, are payable on February 10 and August 10 of each year. If the payments scheduled for February 10 are not received by February 10 and the payments for August 10 are not received by August 10, then in each case a penalty is assessed and monthly interest penalties of 1% per month additionally accrue for each month the delinquency continues until the taxes are paid or the receivable is sold at tax lien sale. See "REAL PROPERTY TAX ASSESSMENT AND COLLECTION" herein.

The total amount of real property taxes to be levied for County purposes for its 2007 fiscal year is approximately $758.3 million (Major Operating Funds only; see "STATEMENT OF REVENUES AND EXPENDITURES – Major Operating Funds" for a description thereof). The County projects that substantially all of the real property taxes (excluding delinquent amounts) will be received by September 30, 2007. The amount of such real property taxes (Major Operating Funds only) received by the County by September 30 and October 31 for each of the last four fiscal years are set forth in Figure 1.

FIGURE 1
PROPERTY TAX COLLECTION
MAJOR OPERATING FUNDS

Fiscal Year	**Levy**	**Cumulative Amount Received By September 30**	**Cumulative Amount Received by October 31**
2003	$738,711,111	$709,719,026	$709,742,001
2004	738,711,111	701,360,623	701,365,510
2005	738,711,109	713,141,311	713,162,348
2006	738,711,054	716,527,621	716,550,429

Whenever the principal amount of the Notes equals the amount of taxes remaining uncollected for the fiscal year for which the taxes were or are to be levied, all such uncollected taxes, as thereafter collected, must be set aside in a separate bank account, unless other provision is made by budgetary appropriation for the redemption of the Notes.

County May Not File For Bankruptcy Protection

Under the NIFA Act, the County is prohibited from filing any petition with any United States district court or bankruptcy court for the composition or adjustment of municipal indebtedness without the approval of NIFA and the State Comptroller and no such petition may be filed while NIFA bonds or notes remain outstanding. See "NASSAU COUNTY INTERIM FINANCE AUTHORITY" herein.

Contract Remedies

The General Municipal Law ("GML") of the State provides that it shall be the duty of the governing board (in the case of the County, the County Legislature) to assess, levy and cause to be collected a sum of money sufficient to pay a final judgment which has been recovered against the County and remains unpaid. The GML further provides that the rate of interest to be paid by a municipal corporation upon any judgment against a municipal corporation shall not exceed the rate of nine per centum per annum. This provision might be construed to have application to the holders of the Notes in the event of a default in the payment of principal of and interest on the Notes. Execution or attachment of County property cannot be obtained to satisfy a judgment by holders of the Notes.

The State Constitution prohibits a municipality from contracting any indebtedness unless it pledges its faith and credit for the payment of the principal of and interest on the indebtedness.

Under the Constitution of the State, the County is required to pledge its faith and credit for the payment of the principal of and interest on the Notes, and the State is specifically precluded from restricting the power of the County to levy taxes on real property thereof.

No principal or interest payment on County indebtedness is past due. To the best of the knowledge of current officials, the County has never defaulted on the payment of principal of and interest on any indebtedness.

Book-Entry-Only System

The Depository Trust Company, New York, New York ("DTC") will act as securities depository for the Notes. The Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Note certificate will be issued for each series of the Notes each bearing the same rate of interest and CUSIP number, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has S&P's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission.

Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each Note ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as redemptions, tenders, defaults, and proposed amendments to the Note documents. For example, Beneficial Owners of Notes may wish to ascertain that the nominee holding the Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption proceeds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the County or the Fiscal Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Notes held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Fiscal Agent, or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County or Fiscal Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Notes at any time by giving reasonable notice to the County or the Fiscal Agent. Under such circumstances, in the event that a successor depository is not obtained, Note certificates are required to be printed and delivered.

The County may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Note certificates will be printed and delivered.

Source: DTC

The information in the above section concerning DTC and DTC's book-entry system has been obtained from sources that the County believes to be reliable, but the County takes no responsibility for the accuracy thereof.

THE COUNTY WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (II) THE PAYMENT BY DTC OR ANY PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF, OR PREMIUM, IF ANY, OR INTEREST ON THE NOTES; (III) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO NOTEHOLDERS; OR (IV) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS NOTEOWNER.

THE COUNTY CANNOT AND DOES NOT GIVE ANY ASSURANCES THAT DTC WILL DISTRIBUTE TO DIRECT PARTICIPANTS OR THAT DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE NOTES (I) PAYMENTS OF THE PRINCIPAL OF, OR INTEREST OR PREMIUM, IF ANY, ON THE NOTES, (II) CONFIRMATION OF THEIR OWNERSHIP INTEREST IN THE NOTES; OR (III) NOTICES SENT TO DTC OR CEDE & CO., AS NOMINEE, AS REGISTERED OWNER OF THE NOTES, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SO SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

Certificated Notes

DTC may discontinue providing its services with respect to the Notes at any time by giving notice to the County and discharging its responsibilities with respect thereto under applicable law, or the County may terminate its participation in the system of book-entry-only system transfers through DTC at any time. In the event that such book-entry-only system is discontinued the Notes will be issued in either bearer or registered form in denominations of $5,000 or integral multiples thereof. The Notes will remain not subject to redemption prior to their stated final maturity date.

COUNTY GOVERNMENT AND FINANCIAL MANAGEMENT

The County with a population of approximately 1.3 million people, is located 15 miles east of midtown Manhattan. It was formed on January 1, 1899 after the three towns of Hempstead, North Hempstead and Oyster Bay decided not to join western Queens County in the consolidation of New York City in 1898. Since 1938, the County has been governed by the County Charter adopted by the voters. The County Charter was the first of its type in the State and established a form of government headed by a County Executive and a Board of Supervisors.

The County Executive heads the executive branch of County government. The legislative power of the County is vested in the 19-member County Legislature, which superseded the Board of Supervisors in 1986. The County Comptroller has the authority to audit the records of the County departments and special districts, to examine and approve all payment vouchers including payroll, to ascertain that funds to be paid are both appropriated and available and to report the financial status of the County to the County Legislature. The County Treasurer, the County's chief fiscal officer, receives and has custody of all County funds (unless otherwise provided by law), including County taxes, collects most fees receivable and is responsible for the issuance of all County debt obligations.

The County Executive and the County Comptroller are each elected for four-year terms and the members of the County Legislature are elected for two-year terms. The County Treasurer is appointed by the County Executive and confirmed by the County Legislature.

County Officials

County Executive – Thomas R. Suozzi

Thomas R. Suozzi was first elected as County Executive on November 6, 2001 and sworn into office on January 1, 2002. Mr. Suozzi was re-elected on November 8, 2005. He lives in Glen Cove, New York, where he was born and raised. He graduated from Chaminade High School, Boston College, and Fordham University Law School.

Mr. Suozzi has been an auditor with one of the world's largest accounting firms, a commercial litigator for a major Wall Street law firm and a law clerk to the Chief Justice of the United States District Court for the Eastern District of New York. In 1993, Mr. Suozzi was elected Mayor of the City of Glen Cove and served four terms. Mr. Suozzi is the recipient of many awards for his efforts as an environmentalist and in labor relations and was named a public official of the year by Governing Magazine in November 2005.

County Legislators

Kevan M. Abrahams	Craig M. Johnson
Lisanne Altmann	Edward P. Mangano
Francis X. Becker, Jr.	David Mejias
John J. Ciotti	Vincent T. Muscarella
Roger H. Corbin	Richard J. Nicolello
David W. Denenberg	Joseph K. Scannell
Dennis Dunne, Sr.	Peter J. Schmitt
Denise Ford	Jeffrey W. Toback
Norma L. Gonsalves	Diane Yatauro
Judith A. Jacobs	

Presiding Officer, County Legislature – Judith A. Jacobs

Judith A. Jacobs serves as Presiding Officer of the County Legislature. Ms. Jacobs was first elected to the County Legislature in 1995, and on November 8, 2005 she was re-elected to a sixth term. Presiding Officer Jacobs is chair of the Rules and Procedures Committee and vice-chair of the Legislative Budget Review Committee. In addition, she serves as a member of the Planning Development and the Environment Committee and the Health and Social Services Committee.

Ms. Jacobs has been a resident of Woodbury, New York for 35 years. A former teacher in the Elmont, New York school district, she received her Bachelor of Arts Degree from Hunter College where she also did graduate work. Ms. Jacobs was selected to the 2002 and 2004 classes of the Top 50 Women in Long Island by the Long Island Business News. She also served as president of the South Woodbury Taxpayers Association and as a trustee at Syosset Community Hospital.

County Comptroller – Howard S. Weitzman

Howard Weitzman was elected as Nassau County's 11th Comptroller on November 6, 2001 and sworn into office in January 2002. Mr. Weitzman was re-elected on November 8, 2005. A graduate of Brooklyn Technical High School and Queens College, he also pursued management studies at Stanford University and Baruch College. He has resided in the County for more than 30 years.

A certified public accountant, Mr. Weitzman built and managed one of the largest accounting firms in the country specializing in health care before merging it into KPMG where he served as a national healthcare partner. After leaving public accounting, he founded and ran a public pharmaceutical company and a private medical finance company. Mr. Weitzman's prior public service career includes six years as Mayor of the Village of Great Neck Estates. He has also served as a member of the County's Board of Assessors, a village trustee, a director of the Water Authority of Great Neck North and as vice president of the Great Neck Village Officials Association.

Deputy County Executive for Management, Budget and Finance – Thomas W. Stokes

Thomas W. Stokes has served as Deputy County Executive for Management, Budget and Finance since February 2006. He was the County's Chief Financial Officer and Strategist for the County Department of Health & Human Services from 2002-2005 after working with his predecessor on the County's financial turnaround plan in early 2002. In 1995, Mr. Stokes joined Ernst & Young LLP's health care consulting division and rose to the rank of Assistant Director of Finance by 1997, prior to Cap Gemini's purchase of Ernst & Young's consulting division in 1999. As Assistant Director of Finance and Operations with Cap Gemini Ernst & Young LLC from 1999-2001, he managed the finance and operations for Strategy & Transformation, e-Commerce and New Business Ventures divisions. Mr. Stokes holds a bachelor's degree in business administration from the State University of New York and is currently pursuing an MBA in corporate finance from Dowling College.

County Treasurer – Steven D. Conkling

Steven D. Conkling was appointed County Treasurer in March 2006. Prior to his appointment as Treasurer, Mr. Conkling worked in investment banking, specializing in mergers & acquisitions. From 2001–2005, Mr. Conkling was an Investment Vice President in Prudential Financial Inc.'s Corporate Mergers & Acquisitions Group, responsible for executing domestic and international transactions. Prior to joining Prudential, Mr. Conkling worked at Chase Manhattan Corporation. From 1994-2001, he was a Vice President in the Global Mergers & Acquisitions Group of Chase Securities Inc. As a member of Chase's Corporate Finance Department from 1988-1994, Mr. Conkling assisted in managing and executing the bank's mergers & acquisitions, capital markets activities, and holding company liquidity.

Mr. Conkling earned an M.B.A. from New York University Stern School of Business and a B.S. in Finance and Economics from Boston College.

Budget Director – Mark Young

Mark Young has served as director of the Office of Management and Budget ("OMB") since July 2002. He was Budget Director for the County Legislative Majority from 2000 to 2002, and prior to his employment with the County, was Assistant Director of the New York City Council Finance Division, where he focused on public safety and human services issues during his eight-year tenure from 1991 to 2000.

Mr. Young earned a master's degree in public administration from the Columbia University School of International and Public Affairs in 1991 and graduated from Williams College with a bachelor's degree in history in 1986.

County Attorney – Lorna Bade Goodman

Lorna Bade Goodman was appointed as County Attorney in January 2002. As the chief legal officer of the County, Ms. Goodman is responsible for representing the County, its officers and employees in virtually every civil legal action brought on behalf of or against the County, and for prosecuting juveniles in Family Court. Ms. Goodman oversees all legal aspects relating to the County's contracts, acts as legal advisor for the County's bond offerings, and provides legal counsel to the executive and legislative branches of the County government. Prior to Ms. Goodman's appointment as County Attorney, she served as the Senior Assistant Corporation Counsel for Affirmative Litigation in the New York City Law Department from 1994 through 2001.

Ms. Goodman earned an A.B. degree from Vassar College in 1963 and a J.D. degree from Hofstra Law School in 1975.

County Government

County Executive

The County Executive is the chief administrator of County government, supervising the performance of all County agencies and departments including OMB, law enforcement, economic development, planning, social services, public works and parks. The County Executive appoints department heads, commissioners, and other employees. In addition, the County Executive proposes to the County Legislature the County's operating budget and capital budget (pursuant to the County Charter) and Multi-Year Financial Plans (pursuant to the NIFA Act, and the County Charter beginning after the conclusion of the interim finance period). See "MONITORING AND OVERSIGHT – External – *NIFA*" herein.

The current County Executive has established a government management organizational structure based on the concept of vertical accountability, with each line of managerial responsibility referred to as a "vertical." There are five verticals: Public Safety; Health and Human Services; Parks, Public Works and Partnerships; Management, Budget and Finance; and Economic Development, as well as a group of departments that support all verticals such as the Office of the County Attorney, Information Technology and Human Resources, known as Shared Services. A Deputy County Executive is responsible for the management of each vertical and for the departments within it. The County Executive believes that the vertical organization structure is critical in developing managerial accountability and ensuring a satisfactory level of service within the context of fiscal discipline. See also Appendix G – COUNTY MANAGEMENT ORGANIZATIONAL CHART attached hereto.

County Legislature

Pursuant to the County Charter, the 19-member County Legislature meets to consider the approval of County laws, ordinances and resolutions, including those relating to the operating budget, the capital plan and capital budget, certain contracts, the appointment of department heads and tax rates and levies. See "Budget Process and Controls" within this section. The County Legislature is also empowered to hold public investigative hearings. Ordinances, resolutions and local laws require at least ten affirmative votes for passage, except that bond ordinances and certain other actions require at least thirteen votes. County Legislators serve part-time, for two-year terms.

County Financial Management

The Deputy County Executive for Management, Budget and Finance is responsible for all budget and finance matters in the County - overseeing OMB, the Treasury Department, and the Purchasing Department - and is the County Executive's principal liaison with the County Comptroller, the Department of Assessment and ARC. See "REAL PROPERTY TAX ASSESSMENT AND COLLECTION" herein.

Office of Management and Budget

OMB is primarily responsible for developing the County's operating budgets and capital budgets, Multi-Year Financial Plans, as well as quarterly and monthly financial reports. OMB also works with departments to develop smart government initiatives, the status of which budget examiners review monthly.

OMB assigns a deputy budget director to each key County operational area or vertical to serve as its chief financial officer, providing expertise on budget and finance matters such as capital planning and revenue management.

OMB is also responsible for financial reporting and performance measurement used by the County's management, departments, fiscal monitors, investors and the public.

Treasury Department

The Treasury Department is responsible for collecting and disbursing the County's cash receipts and maintaining the County's bank accounts. The Treasury Department also coordinates with the Comptroller's office to ensure that the County's books and records are accurate, and that accruals and deferrals are set up in a timely fashion, and reversed when necessary. In addition, the County Treasurer is responsible for incurring debt, investing excess cash, and properly recording cash movements in the County's accounting system. The Treasury Department monitors cash spending of bond and note proceeds and the investment of unexpended funds to track potential arbitrage rebate liability. The Treasury Department staff is involved in numerous other financial matters including implementing systems for improving revenue collection.

Purchasing Department

The Purchasing Department purchases all materials, supplies, and equipment for the County, except for the Board of Elections, pursuant to applicable procurement procedures, and is responsible for price and vendor selections, placement of purchase orders and contract administration.

Debt Policy

The County's debt management goals included in the 2007-2010 Multi-Year Financial Plan are (1) a stabilization of annual borrowing levels for normal capital purposes; (2) transitioning from financing shorter-lived assets from debt to funding them from operating revenues; (3) eliminating the financing of most, if not all, property tax refunds by 2007; and (4) implementing a financing plan for the proposed building consolidation program that relies on asset sales and operational savings to offset any debt-related expenses.

The County had traditionally structured its borrowings under the constraints of a section of the State Local Finance Law (providing that no installment of principal may be more than 50% in excess of the smallest prior installment, known as the "50% Rule") which produced a declining debt service payment structure. NIFA's debt service, however, has been structured with substantially level annual debt service. Accordingly, the County's annual future debt service payments are anticipated to decline at a slower pace. The County's current debt policy was first adopted as part of the 2006-2009 Multi-Year Financial Plan.

Fund Balance Policy

The County Executive has established a fund balance and reserve policy that draws upon the recommendations of the Government Finance Officers Association, the National Advisory Council on State and Local Government Budgeting and the credit rating agencies. The policy outlines an approach to the accumulation and use of unreserved fund balance, reserve funds, and the County's tobacco settlement fund that takes into consideration issues that are specific to the County. It identifies an array of reserve funds, as well as the tobacco settlement fund, that helps the County stabilize its budget and finance important policy objectives. The policy sets recommended levels of unreserved fund balance of no less than 4% and no more than 5% of normal prior-year expenditures made from its general fund and the County-wide special revenue funds. Additionally, the policy calls for maintaining a combined level of financial resources in its unreserved fund balance, its reserve funds and its tobacco settlement fund of no less than 5% and a target of 7.5% of normal prior-year expenditures. The policy outlines the conditions under which the County's unreserved fund balance ought to be replenished, and it identifies the appropriate uses for its unreserved fund balance, its formally created reserves, its tobacco settlement fund, and any projected operating surpluses. The County's current fund balance policy was first adopted as part of the 2006-2009 Multi-Year Financial Plan. See "TOBACCO LITIGATION SETTLEMENT PAYMENTS SECURITIZATION" herein.

Investment and Cash Management Policies

Under the law of the State, the County is permitted to invest only in the following investments: (1) special time deposits or certificates of deposits in a bank or trust company located and authorized to do business in the State; (2) obligations of the United States of America; (3) obligations guaranteed by agencies of the United States of America where the payment of principal and interest is guaranteed by the United States of America; (4) obligations of the State; (5) with the approval of the State Comptroller, tax anticipation notes and revenue anticipation notes issued by any municipality (other than the County), school district or district corporation in the State; (6) certain certificates of participation issued on behalf of political subdivisions of the State; and (7) in the case of County monies held in certain reserve funds established pursuant to law, obligations issued by the County. The law further requires that all bank deposits, in excess of the amount insured under the Federal Deposit Insurance Act, be secured by a pledge of eligible securities (or a pro rata portion of a pool of eligible securities), an eligible surety bond or an eligible letter of credit, as those terms are defined in the law.

From time to time, the County Legislature adopts resolutions setting forth its investment policy in accordance with the above statutory limitations, which policy currently mirrors (1) through (7) above. The primary objectives of the County's investment program are to: (1) comply with all applicable provisions of law; (2) safeguard the principal of all deposits and investments; (3) provide sufficient liquidity to ensure that monies are available to meet expenditures as they come due; and (4) obtain the maximum rate of return that is consistent with the preceding objectives.

The County's investment policy authorizes the County to enter into repurchase agreements, subject to the following restrictions: (1) all repurchase agreements must be entered into subject to a master repurchase agreement; (2) obligations shall be limited to obligations of the United States of America and/or obligations guaranteed by agencies of the United States of America where the payment of principal and interest is guaranteed by the United States of America; (3) no substitution of securities will be allowed; and (4) the custodian shall be a party other than the trading partner.

The County's investment policy also provides that all deposits, including certificates of deposit and special time deposits, in excess of the amount insured under the provisions of the Federal Deposit Insurance Act, must be secured by a pledge of eligible securities, of the types authorized by the investment policy, with an aggregate market value equal to or in excess of the aggregate amount of the deposits. Eligible securities used for collateralizing deposits are to be held by a third-party bank or trust company subject to security and custodial agreements with regular market valuation.

Neither State law nor the County's investment policy permits the County to invest in so-called derivatives or reverse repurchase agreements and, to the best of the knowledge of current County officials, the County has never invested in such instruments.

Swap Policy

State law does not empower the County to enter into interest rate exchange agreements, or swaps. NIFA and the Nassau Health Care Corporation ("NHCC") are statutorily empowered, under certain circumstances, to enter into swaps. NIFA and NHCC, respectively, have executed several LIBOR-based swaps to hedge their variable rate debt exposure and to enhance the savings expected to be generated by various refundings of outstanding debt. See "COUNTY INDEBTEDNESS AND DEBT LIMITATIONS – Debt Service Requirements" and "NASSAU HEALTH CARE CORPORATION – 2004 Refunding" herein.

To the extent that the swaps into which NIFA has entered do not perform as expected, the County's financial position will be positively or negatively affected. Pursuant to the Stabilization Agreement, the interest and net swap payments are netted against the service and other payments the County makes to NHCC. Accordingly, NHCC bears the exposure for swaps that do not perform as expected and benefits in the event the swaps outperform expectations.

The County utilizes a swap policy to guide its decisions regarding swaps. The policy identifies six reasons for entering into swaps: optimize the County's capital structure; achieve appropriate asset/liability match; actively manage or reduce interest rate risk; provide greater financial flexibility; generate interest rate savings; and enhance investment yields.

The County's swap policy puts forth a series of recommended terms for swap agreements. The policy recommends the use of ISDA swap documentation, including the Schedule to the Master Agreement, the Credit Support Annex, and a Swap Confirmation. The policy recommends that swaps should provide for optional termination at market at any time and in the event of a counterparty credit downgrade. The policy also recommends that swap agreements should only be made with qualified swap counterparties, and that the County should seek to diversify counterparty credit risk.

LIBOR-based interest rate swaps carry certain risks, notably basis risk, counterparty risk, rollover risk, tax risk, and termination risk. Working with NIFA and NHCC, respectively, the County has made efforts to mitigate these risks. As recommended by the swap policy, the County regularly monitors these risks. See "COUNTY INDEBTEDNESS AND DEBT LIMITATIONS – Debt Service Requirements", "NASSAU COUNTY INTERIM FINANCE AUTHORITY" and "NASSAU HEALTH CARE CORPORATION – 2004 Refunding" herein.

Risk Management

The County is exposed to various risks of loss related to torts, property loss, employee injuries, and errors related to and omissions of its employees. The County has established a Risk Management Committee to monitor and direct polices and procedures to reduce and control the County's overall risk exposure. The County self-insures for most risk exposures with all loss payments paid directly by the County out of its operating or capital funds. The County has transferred some of the risk by means of insurance coverage for both property and liability coverage for all police helicopters. The County also maintains a blanket fidelity bond covering all County employees. The County has contracted with Marsh Inc. to provide brokerage services for selected insurance programs and to assist with the overall development of a County risk management program.

The County has also contracted with a third-party administrator to provide claims management of the County's workers compensation program. The County will continue to review various exposures and develop programs to transfer and reduce the risk exposure to the County. The County has been successful in transferring some risk to various vendors and contractors of the County by means of mandatory insurance programs with the County named as an additional insured. The County will continue to review all risks and when it is determined to be financially beneficial to transfer certain risk and exposures by means of insurance the County will have insurance placed.

Budget Process and Controls

The County Charter requires the County Executive to submit to the County Legislature for its review an annual operating budget for the ensuing fiscal year (January 1st through December 31st) no later than September 15th of each year, and, beginning after the conclusion of the interim finance period, a Multi-Year Financial Plan. Each year during the interim finance period or during a control period (as each is described herein), the NIFA Act requires the County to submit the proposed budget to NIFA, which must be consistent with the accompanying Multi-Year Financial Plan. See "MONITORING AND OVERSIGHT – External – *NIFA*" herein.

In April of each year, formal budget preparation begins when OMB provides staffing and financial constraints, generally consistent with the then current Multi-Year Financial Plan, to organizational units to develop their budget requests for the ensuing fiscal year. The units must then submit estimates of the revenues and expenditures of their several departments, institutions, offices, agencies or districts for the ensuing fiscal year, detailed by organizational units and the character and object of expenditures along with such other supporting data as the County Executive may request in his budget instruction guidelines. OMB gives each department a date of submission, usually in early July.

The County Legislature holds budget hearings after the County Executive submits his proposed budget. After the conclusion of the public hearings, the County Legislature may reduce, increase or strike out any item of appropriation in the proposed budget. Prior to any increase, however, another public hearing is necessary. The County Executive has the power to veto any item that constitutes an addition or increase in the proposed budget. The County Legislature has the power to override such a veto by the affirmative vote of at least thirteen out of its nineteen members and then approve by ordinance the final budget. Within ten days of the final approval of the budget by the County Legislature, the County Executive may veto any item that constitutes a change from the proposed budget, while at the same time approving the remainder of the budget. The County Legislature may override any such vetoed item within seven days by a vote of at least thirteen members. Upon final adoption of the budget, the County Legislature must pass an appropriation ordinance for such budget and levy taxes for the ensuing year not later than October 30$^{th.}$

During the year, the County Executive may recommend changes to the adopted budget. Transfers of spending authority between departments and for certain transfers within departments require approval by majority vote of the County Legislature. The County Executive may also recommend appropriating revenues not recognized in the adopted budget. Such supplemental appropriations require approval by a supermajority of the County Legislature.

The County has established controls to ensure compliance with adopted budgets. OMB and the County Comptroller supervise and control the expenditure and encumbrance of appropriations, and monitor revenues. The County's automated financial management system provides for on-line inquiries of budgeted and actual obligations and revenues, which are used to analyze current activity and historical trends, and to formulate forecasts of future operating results. Appropriations, which have not been expended or encumbered, lapse at the end of the year.

COUNTY FINANCIAL CONDITION

The County has a vibrant economy and ranks in the top 1% of all counties in the United States in terms of its population and its per-capita income.

Financial Results

2005

The County ended the 2005 fiscal year with a $78.5 million operating surplus in its Major Operating Funds. See Appendix A hereto, GENERAL PURPOSE AUDITED FINANCIAL STATEMENTS FOR FISCAL YEARS ENDED DECEMBER 31, 2005 and 2004, and "STATEMENT OF REVENUES AND EXPENDITURES" herein. The County's successful performance can be attributed to a number of different factors, including:

- The recognition of more than $40 million in Medicaid cap/PAYGO transitional funds;
- The reversal of accrued liabilities and revenue as a result of the State's imposition of a local Medicaid cap;
- Lower than anticipated health insurance rates for retirees;
- The successful implementation of an aggressive traffic and parking violations revenue collection plan and amnesty program; and
- Additional investment income earnings.

This positive operating surplus was realized despite absorbing several negative variances. These included:

- Sworn officer overtime;
- Sales tax growth that reached only 1.5% versus 2.6% forecast;
- Special education expenses that rose due to State increases and advance billing;
- Higher utility costs due to increased energy consumption and multiple fuel price increases, the steepest of which was experienced after Hurricane Katrina;
- Park revenue targets not achieved due to delays in the revenue enhancement initiative; and
- Increased workers' compensation expenses.

The County directed $50 million of such surplus toward its capital project fund for the payment of tax certiorari judgments and settlements. See "REAL PROPERTY TAX ASSESSMENT AND COLLECTION – Real Property Assessment – *Administrative Review of Assessments*" and "LITIGATION – Property Tax Litigation" herein. The County transferred $25.3 million of the 2005 surplus into its Retirement Contribution Reserve Fund (see "STATEMENT OF REVENUES AND EXPENDITURES – Expenditures – *Personnel-Related Expenditures* – Pension Contributions" herein) and $3 million toward the payment of judgments and settlements. See "COUNTY INDEBTEDNESS AND DEBT LIMITATION – Debt Service Requirements" and "LITIGATION" herein.

Projected 2006

As of September 30, 2006, the County expected to generate an estimated $25.2 million operating surplus in its Major Operating Funds in 2006. The County's 2006 performance has benefited from several one-time resources as well as from instances of conservative budgeting, including:

- salary spending savings attributable to the administration's curtailment on all but emergency and essential hiring;
- administrative spending savings attributable to the administration's curtailment on all but emergency and essential purchasing; and
- improved management of public safety overtime spending resulting in savings.

The County's projected 2006 operating surplus factors in a series of risks, including negative variances in health insurance rates, rising utility costs, retroactive rate increases for pre-school service providers and lower distributions from the Nassau Regional Off-Track Betting Corporation.

The County intends to transfer $25 million of this operating surplus to its capital project fund for the payment of tax certiorari judgments and settlements, while of the remainder this operating surplus will be utilized for various one-time expenses. The County's unreserved fund balance is expected to drop slightly from $90.5 million as of the end of 2005 to $77.1 million as of the end of 2006. The 2007 Budget designates $13.1 million of the County's unreserved fund balance to make various one-time payments and to serve as a contingency for unanticipated expense overages or revenue shortfalls.

The County's projections are based on various assumptions and contingencies which are uncertain and which may not materialize. Such assumptions and contingencies are described throughout this Official Statement and include the condition of the regional and local economies, the provision of State and federal aid and the impact on County revenues and expenditures of any future federal or State policies affecting the County.

2007 Budget and 2007-2010 Multi-Year Financial Plan

The County Executive submitted his proposed 2007 Budget to the County Legislature on September 15, 2006. The proposed 2007 Budget included $2.4 billion in appropriations, excluding interdepartmental and interfund transfers, to support the Major Operating Funds. The proposed 2007 Budget was only $74.2 million more than the 2006 Budget, and it did not rely upon any NIFA transitional assistance or debt restructuring. All positions were fully funded; no turnover savings were applied to balance the proposed 2007 Budget. The proposed 2007 Budget drew down on $26.4 million of the Retirement Contribution Reserve Fund (discussed below in this section) and included a transfer of $25 million from its projected 2006 operating surplus to the capital project fund. See "REAL PROPERTY TAX ASSESSMENT AND COLLECTION" herein. The proposed 2007 Budget held the tax levy constant in county-wide funds in the aggregate for the fourth consecutive year.

The County Legislature approved over $4.1 million in amendments in adopting the 2007 Budget. These amendments included funding the hiring of five positions for the enforcement of the County's living wage law and adding $2.5 million for various health and human service programs. The County Legislature offset these additions to the proposed 2007 Budget primarily by reducing the amount of non-recurring funds related to the anticipated transfer of park lands and roads to the Town of North Hempstead.

On November 3, 2006, NIFA approved the 2007-2010 Multi-Year Financial Plan, including the 2007 Budget. At the same time NIFA directed that the County submit to NIFA an update of such plan and budget by April 1, 2007.

The 2007-2010 Multi-Year Financial Plan reflects a balanced budget for 2007, recognizes out-year baseline gaps for 2008, 2009 and 2010, and identifies the actions that the County will take to close these gaps. Figure 2 provides a summary of the County's gap-closing measures included in the 2007-2010 Multi-Year Financial Plan.

FIGURE 2
SUMMARY OF GAP-CLOSING MEASURES
INCLUDED IN THE 2007-2010 MULTI-YEAR FINANCIAL PLAN,
MAJOR OPERATING FUNDS (DOLLARS IN MILLIONS)

	2007	2008	2009	2010
Estimated Baseline Gap	**$0.0**	**($164.0)**	**($208.8)**	**($256.2)**
Gap Closing Measures				
Smart Government Initiatives	0.0	11.5	20.6	21.9
Labor Concessions	0.0	23.4	24.3	25.2
Workforce Management	0.0	8.8	16.3	20.1
Functional Consolidation	0.0	10.0	15.0	20.0
Sales Tax Growth in Line with Historic Averages	0.0	5.1	10.7	16.6
Annual CPI Property Tax Growth	0.0	29.6	60.3	92.2
Use of Remaining Tobacco Proceeds	0.0	23.0	8.0	0.0
Pension Reserve	0.0	7.5	0.0	0.0
PAYGO Judgments and Settlements	0.0	(5.0)	(10.0)	(15.0)
Subtotal Gap Closing Measures	$0.0	$113.9	$145.2	$181.0
Total Surplus/Deficit After Gap Closing Measures	**$0.0**	**($50.1)**	**($63.6)**	**($75.2)**
Options to Close Remaining Gap				
Video Lottery Terminals	$0.0	$20.0	20.0	20.0
Proposed Legislative Cigarette Tax	0.0	50.0	50.0	50.0
Third Party Administrator	0.0	0.0	13.2	14.3
Red Light Cameras	0.0	7.0	7.0	7.0
Discretionary Programming Reductions	0.0	7.5	7.5	7.5
Residential Energy Tax	0.0	46.1	57.0	58.8
Total Options to Close Remaining Gap	**$0.0**	**$130.6**	**$154.7**	**$157.6**

The 2007-2010 Multi-Year Financial Plan extends the core gap-closing measures that have been utilized previously by the County. These measures include continued workforce management, initiatives to reduce costs and generate new revenues, and further concessions from the County's labor unions. It assumes that the County will exhaust its Retirement Contribution Reserve Fund (discussed below in this section) in 2008. Beginning in 2008, the County expects to increase its property tax levy supporting the Major Operating Funds by 3.9% annually during the remainder of the plan period, which is roughly the anticipated annual growth in the Consumer Price Index. Additionally, the County will begin augmenting the property tax levy in its Major Operating Funds to capture the annual growth in assessed value attributable to new construction. The 2007-2010 Multi-Year Financial Plan continues support of the appropriation to finance a portion of the expense of judgments and settlements on a pay-as-you-go basis. This appropriation grows steadily in each successive year until it reaches approximately $35 million in 2014.

The County has identified a number of potential risks to its future financial performance. Such risks include, but are not limited to, the continuation of slow growth in County sales tax revenues, a cooling off of the real estate market, the inability to achieve various gap closing measures, the County's exposure to potentially adverse legal judgments, the continued commitment to institutionalization of financial and managerial reforms, the stability of NHCC (as defined herein), the future of the New York Racing Association and Off-Track Betting Corporations in the State, and the recognition of the liability associated with retiree health insurance required by GASB Statement No. 45, issued by the Government Accounting Standards Board ("GASB").

The 2007-2010 Multi-Year Financial Plan identifies a number of contingencies the County could exercise in the event that risks emerge which threaten the County's financial performance. For example, the County may continue using surplus current-year resources to defray non-recurring expenses in the out-years of the Multi-Year Financial Plan. The County has established various restricted reserve funds pursuant to the GML, including a Retirement Contribution Reserve Fund, an Employee Accrued Liability Reserve Fund, and a Reserve for the Retirement of Bonded Indebtedness. Such reserves will total approximately $71.7 million as of the end of the 2006 fiscal year. See "COUNTY FINANCIAL CONDITION – Financial Results – *2005*" herein. They may be utilized with the approval of the County Legislature. Also, under certain conditions, the County can draw upon available proceeds from the 1999 Tobacco Bonds (as defined herein), which now total approximately $16.8 million, to provide non-recurring relief in the event of budgetary shortfalls or other exigent circumstances. See "TOBACCO LITIGATION SETTLEMENT PAYMENTS SECURITIZATION" herein. Furthermore, the County may cut remaining discretionary programming.

As discussed herein, the County is required to close substantial budgetary gaps in order to maintain balanced operating results. There can be no assurance that the County will continue to maintain balanced operating results as required by State law without revenue increases or reductions in County services or entitlement programs.

For its normal operations, the County depends on aid from the State both to enable the County to balance its budget and to meet its cash requirements. There can be no assurance that there will not be reductions in State aid to the County from amounts currently projected; that State budgets will be adopted by the April 1 statutory deadline, or interim appropriations will be enacted; or that any such reductions or delays will not have adverse effects on the County's cash flow or expenditures. In addition, the annual federal budget negotiation process could result in a reduction or a delay in the receipt of federal reimbursements that could have adverse effects on the County's cash flow or revenues. See "STATEMENT OF REVENUES AND EXPENDITURES – Revenues – *State and Federal Aid*."

The County's projections in its Multi-Year Financial Plans are based on various assumptions and contingencies which are uncertain and which may not materialize. Such assumptions and contingencies are described throughout this Official Statement and include the condition of the regional and local economies, the provision of State and federal aid and the impact on County revenues and expenditures of any future federal or State policies affecting the County.

Actual revenues and expenditures may be different from those forecast in the County's Multi-Year Financial Plans.

Except for information expressly attributed to other sources, all financial and other information presented herein has been provided by the County from its records. The presentation of such information is intended to show recent historical data and is not intended to indicate future or continuing trends in the financial position or other affairs of the County.

The factors affecting the County's financial condition described throughout this Official Statement are complex and are not intended to be summarized in this section. The Official Statement should be read in its entirety.

MONITORING AND OVERSIGHT

In addition to the oversight role of OMB, various entities monitor and review the County's finances pursuant to State or local law, including the County Comptroller, the County Office of Legislative Budget Review, NIFA, independent auditors and the State Comptroller.

Internal

County Comptroller

In accordance with the County Charter, the County Comptroller maintains and audits the County's accounts. His powers include: auditing County departments and contractors to identify and prevent waste, fraud and abuse; reviewing contracts payment terms, determining that funds are available for payment, and that payment of vendor claims are appropriate; monitoring the County's budget and financial operations; preparing the County's year-end financial statements; and issuing fiscal impact statements on matters that significantly affect the financial health of the County.

<u>Certificate of Achievement for Excellence in Financial Reporting</u>

The Government Finance Officers Association of the United States and Canada has awarded a Certificate of Achievement for Excellence in Financial Reporting (a "Certificate") to the County for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2004. A Certificate is valid for a period of one year only. The County believes its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2005 continues to conform to the requirements necessary for the award of a Certificate.

Office of Legislative Budget Review

The non-partisan Office of Legislative Budget Review, established by the County Charter, analyzes financial data such as Budgets, Multi-Year Financial Plans and capital plans on behalf of the County Legislature. The County Legislature appoints the director of this office for a four-year term. The Budget Review Committee of the County Legislature, consisting of the Chair of the Budget Review Committee, the Presiding Officer, the Minority Leader, the Chair of the Finance Committee, and an appointment of the Minority Leader, maintains general supervision of and liaison with the office. The

Office of Legislative Budget Review publishes reports from time to time on budgets, Multi-Year Financial Plans and the operations of select County departments. Such reports are available at the Office of Legislative Budget Review, One West Street, Mineola, NY 11501.

External

NIFA

NIFA is a corporate governmental agency and instrumentality of the State constituting a public benefit corporation with limited authority to oversee the County's finances. Under the NIFA Act, NIFA has both limited authority to oversee the County's finances, including covered organizations as defined in the NIFA Act and discussed further below ("Covered Organizations"), and has, during the interim finance period and further upon the declaration of a control period, additional oversight authority.

Pursuant to the NIFA Act, NIFA performs ongoing monitoring and review of the County's financial operations, including, but not limited to: recommending to the County and the Covered Organizations measures related to their operation, management, efficiency and productivity; consulting with the County in preparation of the County's budget; reviewing and commenting on proposed borrowings by the County (as more fully described below); determining whether to make transitional State aid available; and performing audits and reviews of the County, any of its agencies and any Covered Organization.

NIFA is required to review the terms of and comment on the prudence of each issuance of bonds or notes proposed to be issued by the County, and no such borrowing may be made by the County unless it is first reviewed and commented on by NIFA. By letter dated November 9, 2006, NIFA, in response to notification by the County, provided its review and comment on the proposed issuance of the Notes, stating that "we have no objection to the proposed sale" of the Notes.

In addition to its general monitoring and review authority described above, during the "interim finance period," as defined in the NIFA Act, NIFA is empowered, among other things, to review the four year financial plans of the County (each, a "Multi-Year Financial Plan") (which are required to be submitted to NIFA by September 15th of each year during such period and during a control period, as further discussed below), to make recommendations and require modifications thereon or, if necessary, to make adverse findings thereon. The NIFA Act also requires the County to submit each year its proposed budget to NIFA consistent with the Multi-Year Financial Plan. The interim finance period has been in effect since enactment of the NIFA Act in June of 2000, and will continue through 2007 under current law. Such plans cover for the four-year period beginning with the ensuing fiscal year for the County and Covered Organizations, and must provide that the Major Operating Funds are balanced in accordance with generally accepted accounting principles. The NIFA Act imposes limits on the County's ability to count as operating revenues in its Multi-Year Financial Plans, among other things, the proceeds of County or NIFA debt issued to finance the payment of tax certiorari judgments and settlements. See "REAL PROPERTY TAX ASSESSMENT AND COLLECTION – Real Property Assessment – *Administrative Review of Assessments*" and "LITIGATION – Property Tax Litigation" herein.

The County has adopted and submitted Multi-Year Financial Plans to NIFA (along with any modifications required by NIFA thereto) in each year from 2000 through 2006, which plans are available for inspection at the Office of the County Treasurer in Mineola, New York during normal business hours. NIFA has approved all of the County's previous Multi-Year Financial Plans and on November 3, 2006, NIFA approved the 2007-2010 Multi-Year Financial Plan. At the same time, NIFA directed that the County submit to NIFA an update to such plan by April 1, 2007.

NIFA is further empowered to impose a control period, as defined in the NIFA Act, upon its determination that any of the following events has occurred or that there is a substantial likelihood and imminence of its occurrence: (1) the County shall have failed to pay the principal of or interest on any of its bonds or notes when due or payable; (2) the County shall have incurred a Major Operating Funds deficit of 1% or more in the aggregate in the results of operations during its fiscal year assuming all revenues and expenditures are reported in accordance with generally accepted accounting principles; (3) the County shall have otherwise violated any provision of the NIFA Act and such violation substantially impairs the marketability of the County's bonds or notes; (4) the County Treasurer certifies at any time, at the request of NIFA or on the County Treasurer's initiative, that on the basis of facts existing at such time, the County Treasurer cannot certify that securities sold by or for the benefit of the County in the general public market during the fiscal year immediately preceding such date and the then current fiscal year are satisfying the financing requirements of the County during such period and that there is a substantial likelihood of a similar result from such date through the end of the next succeeding fiscal year; or (5) if, in regard to the County's financial plan covering the County and the Covered Organizations, NIFA adopts a resolution finding, as required by the NIFA Act, that the County has failed to make required modifications after reductions in revenue estimates, or to provide a modified plan in detail and within such time period required by NIFA.

During a control period NIFA would be required to withhold transitional State aid and is empowered, among other things, to approve or disapprove proposed contracts and borrowings by the County and Covered Organizations; approve, disapprove or modify the County's Multi-Year Financial Plan; issue binding orders to the appropriate local officials; impose a wage freeze; and terminate the control period upon finding that no condition exists which would permit imposition of a control period. NIFA has never imposed a control period nor does the County anticipate that it will do so in the foreseeable future.

Under the NIFA Act, the County and the Covered Organizations are prohibited from filing any petition with any United States district court or court of bankruptcy for the composition or adjustment of municipal indebtedness without the approval of NIFA and the State Comptroller, and no such petition may be filed while NIFA bonds or notes remain outstanding. Under the NIFA Act, the term Covered Organizations includes NHCC and any other governmental agency, public authority or public benefit corporation which receives or may receive monies directly, indirectly or contingently from the County, with certain statutory exceptions. In addition, pursuant to Chapter No. 685 of the Laws of 2003, the Nassau County Sewer and Storm Water Finance Authority is a Covered Organization under the NIFA Act. See "SEWER AND STORM WATER RESOURCES SERVICES" herein. See also "NASSAU COUNTY INTERIM FINANCE AUTHORITY" herein for a discussion of NIFA's authority to issue debt on behalf of the County.

Independent Auditors

The County retains independent certified public accountants to audit the County's financial statements. The current audit report covers the years ended December 31, 2005 and 2004 and may be found attached as APPENDIX A to this Official Statement. The County's financial statements are prepared in accordance with generally accepted accounting principles ("GAAP").

State Comptroller

The Department of Audit and Control of the State Comptroller's office periodically undertakes performance audits and is also authorized to perform compliance review to ascertain whether the County has complied with the requirement of various State and federal laws. The County also complies with the Uniform System of Accounts as prescribed for counties in the State.

STATEMENT OF REVENUES AND EXPENDITURES

Major Operating Funds

The 2006 Budget contains six Major Operating Funds - the General Fund, the Police Headquarters Fund, the Police District Fund, the Parks, Recreation and Museums Fund, the Fire Prevention Fund and the Debt Service Fund - that support the primary operations of the County. The 2007 Budget contains five Major Operating Funds – the General Fund, the Police Headquarters Fund, the Police District Fund, the Fire Prevention Fund and the Debt Service Fund – that support the primary operations of the County. The Parks, Recreation and Museums Fund has been consolidated into the General Fund in the 2007 Budget to maximize flexibility, reduce complexity and improve efficiency – a goal emphasized in the State Comptroller's Accounting and Reporting Manual. The Police Headquarters Fund, the Parks, Recreation and Museums Fund and the Fire Prevention Fund are all special revenue funds with the same tax base as the County's General Fund. The Police District Fund does not share the same tax base as the General Fund.

The General Fund contains revenues and expenses for all County departments and offices other than the Fire Commission, the Department of Parks, Recreation and Museums and the Police Department. The County frequently transfers funds between departments and offices in the General Fund to address needs as they arise. Revenues in this fund come primarily from County sales tax collections and a designated portion of the County property tax. Other sources of revenue include departmental fees, permits and licenses and investment income.

The Police Headquarters Fund contains revenues and expenses for services the Police Department provides to all County residents, including crime investigations, ambulance services, traffic safety, highway patrol and administrative/support services. Revenues in this fund come primarily from a designated portion of the County property tax, special taxes, and various fines, permits and fees.

The Police District Fund contains revenues and expenses for the crime prevention services the Police Department's eight precincts provide to a portion of the County's residents. Revenues in this fund come primarily from a designated portion of the County property tax and various fines, permits and fees. Of the Major Operating Funds, the Police District Fund is the only one that does not fund County-wide services. Only areas of the County receiving such services pay the Police District property tax.

The Parks, Recreation and Museums Fund contains revenues and expenses for the Department of Parks, Recreation, and Museums. Revenues in this fund come primarily from a designated portion of the County property tax and various user fees.

The Fire Prevention Fund contains revenues and expenses for the Fire Commission, which ensures compliance with County fire safety codes and coordinates the operations of the various local fire districts. Revenues in this fund come primarily from a designated portion of the County property tax and various fees, fines, permits and licenses.

The Debt Service Fund contains all interest and principal payments for the County's debt obligations, including administrative costs in connection with borrowing, and accounts for NIFA sales tax set-asides. See "NASSAU COUNTY INTERIM FINANCE AUTHORITY" herein. Because the County charges debt service payments to specific projects in departments, the Debt Service Fund is entirely supported by revenues transferred from other funds.

Revenues

The County derives its revenues from a variety of sources. The largest of these are the sales tax, the property tax, federal and State aid and departmental revenues. Figure 3 shows Major Operating Funds revenues.

FIGURE 3
MAJOR OPERATING FUNDS REVENUES

REVENUES CATEGORY	**2003**	**2004**	**2005**	**ADOPTED 2006 BUDGET**	**2006 PROJECTED AS OF SEPTEMBER 2006**	**ADOPTED 2007 BUDGET**
SALES TAX	$ 895,541,953	$ 939,861,602	$ 953,816,120	$1,001,790,643	$1,001,790,643	$1,030,913,922
PROPERTY TAX	741,778,067	743,001,328	745,914,600	738,711,054	740,604,783	758,371,054
STATE AID	198,767,078	209,124,400	194,881,556	171,228,916	182,143,881	195,480,912
FEDERAL AID	107,591,746	126,207,269	114,518,569	115,116,951	110,504,528	111,556,435
DEPARTMENTAL REVENUES	75,483,235	82,337,675	84,633,482	81,802,168	82,362,564	87,967,632
MEDICAID INTER-GOVERNMENTAL TRANSFER REVENUES	68,962,159	121,715,135	38,533,915	39,573,706	0	0
OTHER REVENUES	150,456,614	183,081,807	224,306,074	207,203,524	210,673,149	226,535,912
STATE (NIFA) AID	15,000,000	7,500,000	12,332,938	0	0	0
INTERFUND/INTER DEPARTMENTAL REVENUES	428,244,030	438,178,442	421,485,584	436,573,189	437,092,262	448,218,386
TOTAL	**$2,681,824,882**	**$2,851,007,658**	**$2,790,422,838**	**$2,792,000,151**	**$2,765,171,810**	**$2,859,044,253**

Note: Sales tax totals reflect collections prior to NIFA set-asides.

Sales Tax

The largest source of revenues for the County in the Major Operating Funds is the sales and compensating use tax (referred to herein as the "sales tax"), which constitutes approximately 42.8% of the total revenues in the 2007 Budget (excluding interdepartmental and interfund revenues). Figure 4 shows budgeted and actual (if available) sales tax revenues compared to budgeted and actual total revenues for the Major Operating Funds.

FIGURE 4
BUDGETED AND ACTUAL SALES TAX REVENUES COMPARED TO BUDGETED AND ACTUAL TOTAL REVENUES
MAJOR OPERATING FUNDS

	Budgeted			Actual		
Fiscal Year	**Total Revenues**	**Sales Tax Revenues**	**Sales Tax as % of Total Revenues**	**Total Revenues**	**Sales Tax Collected**	**Sales Tax as % of Total Revenues Collected**
2007	$2,410,825,867	$1,030,913,922	42.8%	N/A	N/A	N/A
2006	2,355,426,962	1,001,790,643	42.5%	N/A	N/A	N/A
2005	2,368,625,777	964,657,090	40.7%	$2,364,073,191	$953,816,120	40.3%
2004	2,251,242,280	901,876,911	40.1%	2,412,829,216	939,861,602	39.0%
2003	2,215,529,662	882,466,418	39.8%	2,253,580,852	895,541,953	39.7%

Note: All data excludes interdepartmental and interfund transfer revenues.
Sales tax revenues budgeted and collected is gross of NIFA set-asides and expenses.

The County's sales tax is collected by the State. The total current sales tax rate in the County is 85/8%, of which (i) 43/8% is the State's share (including a 3/8% component that is imposed within the Metropolitan Commuter Transportation District pursuant to Section 1109 of the State Tax Law) and (ii) 4¼% is the County's share, out of which the County (a) must allocate a ¼% component to towns and cities within the County under a local government assistance program established by the County and authorized pursuant to Section 1262-e of the Tax Law and (b) is authorized to allocate up to a 1/12% component to the villages within the County under a local government assistance program.

The County has enacted legislation to implement a local government assistance program with the villages for its 2006 and 2007 fiscal years. The amount so allocated for the 2006 fiscal year was approximately $1 million; the County projects the amount to be so allocated to the villages to be approximately $1.25 million in the 2007 fiscal year.

Pursuant to Section 1261 of the Tax Law, all taxes, other than (i) amounts payable to towns, cities and villages in the County pursuant to a local government assistance program established by the County and (ii) amounts which the State Comptroller has reserved for refunds of taxes and the State's reasonable costs in administering, collecting and distributing such taxes, are paid by the State Comptroller to NIFA as long as NIFA bonds are outstanding. These monies are applied by NIFA in the following order of priority: first pursuant to NIFA's contracts with bondholders to pay debt service on NIFA bonds and notes, second to pay NIFA's operating expenses not otherwise provided for and then pursuant to NIFA's agreements with the County to the County as frequently as practicable. See "NASSAU COUNTY INTERIM FINANCE AUTHORITY" herein.

The County Legislature has adopted local laws and ordinances to implement the State's authorization to maintain the County's share of the sales tax at 4¼% through November 30, 2007, the current limit of the State's authorization to impose incremental components of an additional ¾% and an additional ½% to the 3% base rate. If such provisions are not renewed, the existing 3% base rate will be in effect. No assurance can be given that either the County Legislature or the State will enact legislation extending the effective date of the additional ¾% and the additional ½% components of the sales tax beyond November 30, 2007.

In addition, the State has, in the past, enacted amendments to the Tax Law to exempt specified goods and services from the imposition of sales taxes, or to reduce the rate of such taxes on such goods and services. There can be no assurance that future proposals will not result in additional exemptions or reductions.

Real Property Tax

The County's second largest source of revenues in the Major Operating Funds is the real property tax, which constitutes approximately 31.5% of total revenues in the 2007 Budget (excluding interdepartmental and interfund revenues). The levy of the property tax is at the sole discretion of the County, subject to constitutional and statutory limitations. The County is only at approximately 22.45% of its constitutional tax limit. See "REAL PROPERTY TAX ASSESSMENT AND COLLECTION – Real Property Tax Limit" herein. The 2007 Budget assumes no property tax levy increase in county-wide funds, including Major Operating Funds and non-Major Operating Funds. Figure 5 shows property tax levies in the Major Operating Funds.

FIGURE 5
PROPERTY TAX LEVIES
MAJOR OPERATING FUNDS

Fund	**2005 Levy**	**2006 Levy**	**2007 Levy**
Police District Fund	$309,306,781	$333,627,075	$331,639,639
Police Headquarters Fund	252,897,540	258,049,976	287,070,223
General Fund	112,769,518	80,016,368	123,962,486
Parks, Recreation and Museums Fund*	48,293,581	51,167,929	0
Fire Prevention Fund	15,443,689	15,849,706	15,698,706
Total	**$738,711,109**	**$738,711,054**	**$758,371,054**

* The Parks, Recreation and Museums Fund has been consolidated into the General Fund in 2007.

The 2007-2010 Multi-Year Financial Plan assumes that beginning in fiscal year 2008 the County will annually increase the property tax levy at approximately the same rate of growth as the estimated consumer price index (3.9%). Additionally, the 2007-2010 Multi-Year Financial Plan anticipates that the County will augment its property tax levy in future years to capture the value added to its assessment roll by new construction.

The percentage of Major Operating Funds revenues derived from the property tax has varied in recent years depending on the size of the annual property tax levy. Figure 6 shows budgeted and actual (if available) property tax revenues compared to budgeted and actual total revenues for the Major Operating Funds.

FIGURE 6
BUDGETED AND ACTUAL PROPERTY TAX REVENUES
MAJOR OPERATING FUNDS

	Budgeted			Actual		
Fiscal Year	**Total Revenue**	**Property Tax Revenues**	**Property Tax as % of Total Revenues**	**Total Revenues**	**Property Tax Collected**	**Property Tax as % of Total Revenues Collected**
2007	$2,410,825,867	$758,371,054	31.5%	N/A	N/A	N/A
2006	2,355,426,962	738,711,054	31.4%	N/A	N/A	N/A
2005	2,368,625,777	738,711,109	31.2%	$2,364,073,191	$745,914,600	31.6%
2004	2,251,242,280	738,711,111	32.8%	2,412,829,216	743,001,328	30.8%
2003	2,215,529,662	738,711,111	33.3%	2,253,580,852	741,778,067	32.9%

Note: All data excludes interdepartmental and interfund transfer revenues.
Sales tax revenues budgeted and collected is gross of NIFA set-asides and expenses

The County typically collects approximately 97% of its levy in the fiscal year in which it is due. Most of the remaining 3% is collected within two years, as shown in Figure 7.

FIGURE 7
PROPERTY TAX COLLECTIONS VERSUS LEVY
MAJOR OPERATING FUNDS (IN THOUSANDS)

Fiscal Year Beginning	Total Ad Valorem or General Property Tax	Uncollected at End of Fiscal Year	Percentage Uncollected at End of Fiscal Year	Uncollected as of October 31, 2006	Percentage Uncollected as of October 31, 2006
January 1, 2006	$738,711	N/A	N/A	$32,634	4.4177%
January 1, 2005	738,711	$20,924	2.8325%	648	.0877%
January 1, 2004	738,711	17,959	2.4311%	501	.0678%
January 1, 2003	738,711	23,873	3.2317%	676	.0915%

See "REAL PROPERTY TAX ASSESSMENT AND COLLECTION" herein.

State and Federal Aid

Approximately 11.5% of the total revenues in the 2007 Budget come from federal and State reimbursement mainly for mandated entitlement programs, mostly for human services. Consequently, changes in the amount of County revenues derived from federal and State aid result from the levels of payments in connection with Medicaid, public assistance, day care, foster care, early intervention and special education.

Overall, federal and State aid levels have dropped slightly in recent years in some non-mandated areas, such as State probation aid, State transportation aid and federal reimbursement for local correctional center custody of aliens held on behalf of the federal government.

In fiscal years 2006 and 2007, the County will not rely on any transitional State aid. In fiscal year 2005, the County received $12.3 million in State aid through NIFA.

Departmental Revenues

Departmental revenues include a wide variety of receipts generated by County departments, including parks usage fees, inspection fees, registration and licensing fees, data sales and permit fees. The County has raised certain fees in recent years, particularly in fiscal years 2000, 2003 and 2005.

Other Revenues

The remainder of the County's revenue comes from several sources, among which are prior-year recoveries, contract disencumbrances, tobacco settlement securitization proceeds, interest payments on outstanding tax liens, investment income, miscellaneous revenues and special taxes. These include the off-track betting tax, the hotel/motel occupancy tax and the motor vehicle registration surcharge.

Expenditures

The County charges expenditures to the Major Operating Funds to fund personnel-related costs, Medicaid, other social services entitlement programs, contractual services, debt service and a variety of other expenditures. Figure 8 shows projected annual expenditures by category.

FIGURE 8
EXPENDITURES BY CATEGORY
MAJOR OPERATING FUNDS

EXPENDITURE CATEGORY	2003	2004	2005	ADOPTED 2006 BUDGET	2006 PROJECTED AS OF SEPTEMBER 2006	ADOPTED 2007 BUDGET
SALARIES & WAGES	$728,432,584	$740,233,395	$784,252,654	$832,757,095	$812,130,754	$826,976,588
FRINGE BENEFITS	285,025,064	322,223,830	349,179,136	369,172,963	372,299,828	433,407,684
MEDICAID	228,240,085	247,553,091	238,948,840	214,609,343	210,385,129	218,024,984
MEDICAID IGT	68,962,159	121,715,135	40,973,707	39,573,706	1,166,499	0
DSS ENTITLEMENT PROGRAMS	134,385,810	140,793,931	142,553,122	150,725,751	149,337,342	155,422,816
CONTRACTUAL SERVICES	181,356,853	159,626,424	121,929,372	130,870,231	135,566,830	133,564,401
ADMINISTRATIVE EXPENSES	73,236,260	76,929,017	75,432,252	71,264,378	80,066,168	81,178,650
DEBT SERVICE (Interest & Principal)*	261,430,938	232,132,291	176,281,941	142,912,385	144,440,235	124,919,919
LOCALGOVERNMENT ASSISTANCE	52,775,624	55,516,592	56,946,225	59,736,041	59,736,041	62,046,922
MASS TRANSPORTATION	41,478,124	41,214,474	45,172,998	45,981,120	45,902,617	47,236,304
OTHER EXPENSES	220,235,084	313,198,367	324,138,791	346,153,734	345,158,818	411,670,993
INTERFUND/INTERDEPARTMENTAL TRANSFERS	393,528,618	390,369,786	366,344,540	388,243,404	386,828,116	364,604,992
TOTAL	**$2,669,087,203**	**$2,841,486,333**	**$2,722,153,578**	**$2,792,000,151**	**$2,743,018,377**	**$2,859,044,253**

* Does not include value of NIFA set-asides which are included in Other Expenses.

Figure 9 shows annual expenditures by fund, excluding interfund and interdepartmental expenses, in the Major Operating Funds.

FIGURE 9
EXPENDITURES BY FUND
MAJOR OPERATING FUNDS

Fund	2006 Budget	2007 Budget
GENERAL FUND	$1,445,908,078	$1,539,640,269
DEBT SERVICE FUND	291,588,539	321,820,294
POLICE DISTRICT FUND	317,383,184	299,877,808
POLICE HEADQUARTERS FUND	290,730,671	315,046,229
PARKS, RECREATION AND MUSEUMS FUND*	40,793,687	0
FIRE PREVENTION FUND	17,352,589	18,054,661
Total	**$2,403,756,748**	**$2,494,439,261**

* The Parks, Recreation and Museums Fund has been consolidated into the General Fund in 2007.

Personnel-Related Expenditures

The largest category of expenditures in the Major Operating Funds is for personnel-related costs, including employee earnings and fringe benefits expenses, which comprise approximately 50% of total Major Operating Funds expenditures in the 2007 Budget.

Employee Earnings

Employee earnings include base wages, overtime, termination pay and other payments made to employees. Growth relates primarily to annual step increases and cost of living increases pursuant to collective bargaining agreements (see Appendix F – COUNTY WORKFORCE for details of wage packages and agreements). The County's workforce reduction initiative, which has resulted in a 515-person reduction in the size of the full-time workforce in the Major Operating Funds between January 2002 and October 2006, has partially offset this baseline wage growth since fiscal year 2002, as shown in Figure 10.

FIGURE 10
FULL-TIME EMPLOYEES
MAJOR OPERATING FUNDS

Date	Full-Time Employees
January 2002	9,475
October 2006	8,960

Health Insurance Contributions

Currently, the County pays the entire cost of health insurance coverage for all active employees and retirees other than non-union employees hired since January 1, 2002, for whom it pays 90% of the cost. The vast majority of County employees are enrolled in the State's Empire Plan, though the County offers several other plans to its employees.

Health insurance rates are set by the State with respect to employees enrolled in the Empire Plan. Over the last five years, the County's health insurance costs have increased by 60% for active employees and 54% for retirees. The 2007 Budget assumes a 7.0% increase for active employees and a 3.2% increase for retirees. Figure 11 displays the growth in County health insurance costs since 2003.

FIGURE 11
HEALTH INSURANCE COSTS
MAJOR OPERATING FUNDS

Health Insurance Category	**2003**	**2004**	**2005**	**Adopted 2006 Budget**	**2006 Projected as of September 2006**	**Adopted 2007 Budget**
Active Employees	$70,145,448	$80,455,061	$89,777,754	$101,622,736	$102,030,273	$111,901,916
Retirees	63,798,786	71,383,571	90,992,634	95,296,655	96,076,513	97,962,213
Total Health Insurance	**$133,944,234**	**$151,838,632**	**$180,770,388**	**$196,919,391**	**$198,106,786**	**$209,864,129**

Pension Contributions

The majority of County employees are members of the New York State and Local Employees' Retirement system (the "ERS"), a defined benefit plan. Sworn County police officers are members of the New York State and Local Police and Fire Retirement System (the "PFRS"), also a defined benefit plan. Faculty members at Nassau Community College ("NCC") have the option, within 30 days of appointment, of choosing between membership in the ERS, the New York State Teachers Retirement System (the "TRS"), a defined benefit plan, and the Teachers Insurance Annuity Association/College Retirement Equities Fund (the "TIAA/CREF"), a defined contribution plan. Personnel employed prior to July 27, 1976, except those selecting the TIAA/CREF option, do not contribute to ERS or TRS, as the County fully funds their pension costs. The Community College Fund is not one of the Major Operating Funds (see "Other Funds" within this section); therefore, employees of NCC are not defined as full-time County employees.

The County is required to make contributions on behalf of its employees into the pension system (employees hired on or after July 27, 1976 who have worked less than ten years are required to contribute 3% of their gross salaries). Its expenses are funded on an actuarial basis determined by the State, and it is assessed on an annual basis for its share of the State retirement system's pension costs. The County's local pension contributions have risen dramatically since fiscal year 2000. In particular, in fiscal year 2000 the County's average contribution was 0.1% of payroll for ERS members and 8.3% for PFRS members. In fiscal year 2007, the contribution rate will average 11.07% of payroll for ERS members and an average of 18.22% for PFRS members. This has resulted in substantial increases in the County's pension costs, as shown in Figure 12.

State law enacted in 2003 requires the County to make a minimum contribution of 4.5% of payroll every year. In 2004 State law was enacted moving the annual payment date for contributions from December 15 of each year to February 1 of the following year. The law further allows a ten-year amortization through the State Comptroller's office, at market rates, of the portion of the bills for the

2004 through 2007 fiscal years that exceed a certain percentage of payroll. The County may also issue federally taxable debt to fund such excess pension obligations.

By deferring the pension payment date from December 15 to February 1, the State allowed governments that operate on a calendar year (such as the County) to avoid accruing pension contribution expenses in the 2004 fiscal year, thereby creating – on a budgetary basis – a one-time reprieve from these pension expenses. The impact of this deferral on the County's 2004 finances was a savings of $78.5 million in the Major Operating Funds, which was reserved in full to assist the County in making future pension payments. The County recognized this liability during 2004 consistent with the GASB's guidance regarding the correct accounting treatment of pension expense for financial reporting purposes. However, consistent with the intent of the State legislation, the County did not recognize the obligation on a budgetary basis until 2005. This resulted in a significant decrease in the County's 2004 pension costs and a significant increase in such costs in 2005, as shown in Figure 12. The County used $34.4 million of the reserve to pay its February 2005 pension bill from the State. The 2007-2010 Multi-Year Financial Plan assumes the use of $33.5 million and $26.4 million of the reserve to pay the County's pension bill in 2006 and 2007, respectively.

FIGURE 12
PENSION COSTS
MAJOR OPERATING FUNDS

Pension System	**2003**	**2004**	**2005**	**Adopted 2006 Budget**	**2006 Projected as of September 2006**	**Adopted 2007 Budget**
Employees Retirement System (ERS)	$35,283,696	$4,561,727	$36,199,006	$36,754,639	$37,405,441	$49,262,886
Police and Fire Retirement System (PFRS)	18,857,359	4,701,246	47,490,709	39,337,656	39,681,403	59,866,829
Total	**$54,141,055**	**$9,262,973**	**$83,689,715**	**$76,092,295**	**$77,086,844**	**$109,129,715**
Draw from reserve fund	0	0	34,405,384	29,200,000	33,458,590	26,400,000
Total Pension Payment	**$54,141,055**	**$9,262,973**	**$118,095,099**	**$105,292,295**	**$110,545,434**	**$135,529,715**

Medicaid

Until 2006 the County, along with all other counties in the State, was required to cover one-half of the local share of Medicaid costs, which represents up to 25% of the total costs of the program, depending on the program category. Starting in 2006, as the result of the State Medicaid cap legislation enacted in 2005, all counties are instead required to pay a capped amount toward its Medicaid expenses, inflated annually at pre-determined percentages. Under the new law, local expenses are capped at an agreed-upon percentage growth from certain actual 2005 local share expenses, less certain 2005 Medicaid-related revenues (the Medicaid base). The Medicaid base was finalized on June 30, 2006 for all counties. The County's 2007 Medicaid appropriation will be $218 million, or 6.75% more than the 2005 base, and $225.9 million, or 9.75% more than the base, in 2008. After 2008, the County can elect to continue to pay an annual increase of 3% over each prior year, or it can elect to swap with the State an equivalent percentage of sales tax revenues. The County has until September 2007 to make this decision and, once made, the decision is permanent. The 2007-2010 Multi-Year Financial Plan reflects Medicaid expenses of $231.7 million in 2009 and $237.4 million in 2010.

Other Social Services Entitlement Programs

Other County Department of Social Services entitlement programs comprise approximately 5.1% of the 2007 Budget, such as payments for public assistance, foster care, day care and preventive services, the majority of which are partially reimbursed by the federal government or the State. Over the past five years, this expenditure category has remained relatively flat, primarily due to declining public assistance and day care caseloads offset by rising safety net caseloads and State-mandated rate increases.

Contractual Services

Contractual services total 5.5% of the 2007 Budget. This category covers payments to outside vendors for a variety of services including community-based human services programming, consulting and legal services.

Annual growth in contractual services expenditures has varied over the last five years. The County experienced a sizeable increase in contractual services spending in fiscal year 2003 because it invested non-recurring surplus resources to pre-pay non-recurring expenses for technology upgrades and its building consolidation program. It reported a 12.0% decrease in the Major Operating Funds in fiscal year 2004 in this category as a benefit of using these one-time resources for these expenditures.

Debt Service

Debt service expenditures, which include interest and principal payments and NIFA set-asides, are expected to total $290.6 million in fiscal year 2006, and are the third largest category of expenditures in the operating budget. See "COUNTY INDEBTEDNESS AND DEBT LIMITATIONS" herein.

Other Expenses

The remainder of the County's expenditures falls into several categories including: special education; the local government assistance program to local cities, towns and villages; mass transportation subsidies; mandated payments to NHCC; and other-than-personal services costs for utilities and administrative expenses.

Other Funds

In addition to the Major Operating Funds, the County allocates revenues and expenditures into several other special revenue funds. Among these are:

The Community College Fund supports the County's financial obligations with respect to NCC, which receives approximately 30% of its operating revenues from a dedicated property tax levied County-wide.

The Sewer and Storm Water Resources District Fund is self-supporting and contains funding for the County's sewage disposal and collection system as well as the storm water system. It covers expenses related to County Department of Public Works employees assigned to these functions and associated debt service costs.

The Capital Fund contains expenses associated with the County's infrastructure improvement program and bonded judgments and settlements, including property tax refunds. The bulk of revenue supporting the Capital Fund comes from the proceeds of debt issued by or on behalf of the County. A lesser amount originates from non-County sources such as the federal government and the State. Other amounts come from County operating funds.

The County receives outside funding, primarily from the federal government and the State, that completely funds the cost of certain programs, most of which are for health and human services and public safety, which it allocates to the Grant Fund. Because generally accepted accounting principles preclude the County from assuming grant revenues in the budget before receipt is assured, outside reimbursements and expenses are recognized in the Grant Fund by supplemental appropriation only after the fiscal year has started and receipt of the funds is assured.

The Technology Fund is intended to facilitate investment in innovative technologies that will either produce operational efficiencies or generate enhanced revenue collection. Resources for the Technology Fund are derived primarily from prior-year undesignated fund balance.

The Open Space Fund contains revenues generated from County real-estate sales, private gifts and grants to preserve undeveloped land in the County. The applicable County local law requires that 5% of the proceeds from the sale of County-owned real estate be used for open space purposes.

CASH FLOW STATEMENTS

Appendix J shows (i) the actual cash flows of the County for the period January 2005 through December 2005, (ii) the actual cash flows of the County from January 2006 through September 2006 and projected cash flows of the County from October 2006 to December 2006, and (iii) the projected cash flows of the County for the period January 2007 through December 2007. Such cash flow statements have been prepared by the County and relate solely to the Major Operating Funds.

Neither the County's independent auditors, nor any other independent accountants, have compiled, examined or performed any procedures with respect to the projected cash flows contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the projected cash flows.

The cash flows set forth in Appendix J, in view of the County's management, were prepared on a reasonable basis and reflect the best currently available estimates and judgments and present, to the best of management's knowledge and belief, the expected course of events and the expected future financial condition of the County.

The assumptions and estimates underlying the projected cash flows are inherently uncertain and, though considered reasonable by the management of the County as of the date hereof, are subject to a wide variety of significant business, economic and political risks and uncertainties that could cause actual results to differ materially from those contained in the projected cash flows. See "MARKET AND RISK FACTORS" herein. Accordingly there can be no assurance that the projected results are indicative of the future performance of the County or that actual results will not be materially higher or lower than those contained in the projected cash flows. Inclusion of the projected cash flows in this Official Statement should not be regarded as a representation by any person that the results contained in the projected cash flows will be achieved.

COUNTY INDEBTEDNESS AND DEBT LIMITATIONS

Computation of County Debt Limit

The Constitutional limit of total indebtedness that can be incurred by the County is 10% of the average full valuation of real estate for the latest five years. See "COUNTY INDEBTEDNESS AND DEBT LIMITATION – Constitutional Provisions." Figure 13 sets forth the debt limit of the County and its debt contracting margin. The Local Finance Law requires that the face value of the principal amount of the Series 2004 be deemed indebtedness for these purposes. See "NASSAU HEALTH CARE CORPORATION – 2004 Refunding" herein. As shown in Figure 13, the County's outstanding debt is equal to 16.92% of the constitutional debt limit and the County has substantial additional debt issuance capacity.

FIGURE 13
STATEMENT OF CONSTITUTIONAL DEBT MARGIN
(AS OF OCTOBER 31, 2006)
(DOLLARS IN THOUSANDS)

Average Full Valuation of Real Estate for the Fiscal Years Ended in 2002 through 2006

2006 Full Valuation	$248,610,000
2005 Full Valuation	212,410,000
2004 Full Valuation	197,447,587
2003 Full Valuation	161,160,799
2002 Full Valuation	140,129,811
	$959,558,197
Average Full Valuation	$191,951,639
Constitutional Debt Margin:	
Constitutional Limit of Total Indebtedness, 10% Average Full Valuation	$19,195,164
Outstanding Indebtedness	
General Government	$394,902
NIFA	2,062,658
Sewer District	106,396
Environmental Facilities Corporation	155,538
Notes	17,000
Real Property Liabilities	8,000
Community College	35,909
Guarantees	318,945
Contract Liabilities	191,997
Total Outstanding Indebtedness	$3,291,345
Less: Constitutional Exclusions	
Cash and Investments - Capital Projects Funds	$26,786
Tax and Revenue Anticipation Notes	$17,000
Less: Total Exclusions	$43,786
Net Outstanding Indebtedness (16.92%)	$3,247,560
Constitutional Debt Margin (83.08%)	$15,947,604

Outstanding County Bonds

Figure 14 shows Outstanding County and NIFA bonds and the purposes for which such debt was issued.

FIGURE 14
OUTSTANDING BONDS
(AS OF OCTOBER 31, 2006)

General Purposes[1]	
County Debt	$ 398,088,220
NIFA Debt	2,032,068,573
Subtotal	$2,430,156,773
Sewer District Purposes[2]	
County Debt	$ 270,355,202
NIFA Debt	54,891,427
Subtotal	$ 325,246,629
Total	$2,755,403,402

1 Includes debt issued for certain County-wide projects to EFC.

2 Includes debt issued for Nassau County Sewer and Storm Water Resources District purposes to EFC.

See Appendix D attached hereto for a list of outstanding County and NIFA obligations.

Figure 15 sets forth the amount of County debt that has been authorized but is unissued by purpose.

FIGURE 15
SUMMARY OF BONDS
AUTHORIZED BUT UNISSUED
AS OF JUNE 30, 2006 (IN THOUSANDS)

Purpose	**Amount Authorized but Unissued**
Community College	$ 5,918
Health	5,795
Information Technology	42,001
Infrastructure	192,554
Land Acquisition	24256
Mass Transportation	57,533
Miscellaneous	0
Parks & Recreation	44,742
Public Safety	66,025
Sewer & Storm Water	69,362
Special Equipment	0
Property Tax Refunds & Other Judgments & Settlements	243,631
Total	$ 751,817

The authorized amounts in Figure 15 refer to amounts for which the County has adopted ordinances authorizing the issuance of debt for capital projects and other purposes pursuant to the Local Finance Law, but has not yet issued debt (on its own or through another issuer such as NIFA) pursuant to such authority. Such authorization expires ten years after adoption of the approving bond ordinance if it has not been used or rescinded prior to that time. Pursuant to the County Charter, any purposes or projects authorized by such ordinances must also be included in the County's capital budget prior to the County borrowing for such purposes or projects. See "CAPITAL PLANNING AND BUDGETING" herein.

Debt Service Requirements

Figure 16, Figure 17 and Figure 18 set forth the principal and interest payments on various categories of outstanding County bonds and bonds issued by NIFA on behalf of the County. Figure 16 provides the total amount of annual debt service on bonds issued by the County and NIFA for both County general purposes and for County sewer and storm water resources purposes. Figure 17 shows annual debt service on bonds issued for County sewer and storm water resources purposes only. Figure 18 presents annual debt service on bonds issued for County general purposes only. See "NASSAU COUNTY INTERIM FINANCE AUTHORITY" and "SEWER AND STORM WATER RESOURCES SERVICES" herein.

Figure 16

Total County and NIFA Debt Service
(as of October 31, 2006)

	County Bonds [1,2]			NIFA Bonds[3]			**Total**		
Date	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
12/31/2006	$ 16,369,643	$ 6,313,339	$ 22,682,982	$ 26,658,333	$ 29,232,133	$ 55,890,467	$ 43,027,976	$ 35,545,472	$ 78,573,448
12/31/2007	126,122,543	32,831,364	158,953,907	85,088,333	86,604,652	171,692,985	211,210,876	119,436,016	330,646,892
12/31/2008	109,775,394	26,488,790	136,264,184	98,298,333	83,180,310	181,478,643	208,073,727	109,669,100	317,742,828
12/31/2009	96,145,063	20,859,870	117,004,933	104,486,667	79,055,426	183,542,093	200,631,730	99,915,296	300,547,026
12/31/2010	80,004,526	15,920,944	95,925,470	109,850,000	74,149,857	183,999,857	189,854,526	90,070,801	279,925,327
12/31/2011	56,066,989	12,064,777	68,131,766	128,035,000	69,041,261	197,076,261	184,101,989	81,106,038	265,208,027
12/31/2012	31,516,244	9,349,988	40,866,232	146,986,667	62,939,484	209,926,150	178,502,911	72,289,471	250,792,382
12/31/2013	26,839,000	7,778,595	34,617,595	149,571,667	55,906,816	205,478,483	176,410,667	63,685,411	240,096,078
12/31/2014	20,513,000	6,394,601	26,907,601	144,960,000	49,180,520	194,140,520	165,473,000	55,575,122	221,048,122
12/31/2015	18,764,000	5,372,050	24,136,050	141,400,000	42,779,478	184,179,478	160,164,000	48,151,528	208,315,528
12/31/2016	11,711,000	4,580,317	16,291,317	134,161,667	36,543,941	170,705,607	145,872,667	41,124,258	186,996,925
12/31/2017	10,635,000	4,003,886	14,638,886	124,745,000	31,034,185	155,779,185	135,380,000	35,038,071	170,418,071
12/31/2018	8,955,000	3,490,012	12,445,012	120,690,000	25,822,519	146,512,519	129,645,000	29,312,531	158,957,531
12/31/2019	8,608,000	3,019,395	11,627,395	124,423,333	21,029,564	145,452,897	133,031,333	24,048,959	157,080,292
12/31/2020	8,838,000	2,541,449	11,379,449	112,166,667	16,385,981	128,552,647	121,004,667	18,927,430	139,932,096
12/31/2021	7,876,000	2,038,544	9,914,544	89,941,667	12,019,744	101,961,411	97,817,667	14,058,288	111,875,955
12/31/2022	8,204,000	1,577,036	9,781,036	77,485,000	8,299,590	85,784,590	85,689,000	9,876,626	95,565,626
12/31/2023	6,985,000	1,117,290	8,102,290	60,855,000	4,951,851	65,806,851	67,840,000	6,069,141	73,909,141
12/31/2024	5,720,000	741,295	6,461,295	42,816,667	2,450,760	45,267,427	48,536,667	3,192,056	51,728,722
12/31/2025	3,590,000	396,661	3,986,661	15,880,000	700,263	16,580,263	19,470,000	1,096,924	20,566,924
12/31/2026	1,310,000	258,886	1,568,886	0	0	0	1,310,000	258,886	1,568,886
12/31/2027	1,355,000	189,519	1,544,519	0	0	0	1,355,000	189,519	1,544,519
12/31/2028	1,400,000	117,633	1,517,633	0	0	0	1,400,000	117,633	1,517,633
12/31/2029	795,000	55,774	850,774	0	0	0	795,000	55,774	850,774
12/31/2030	65,000	14,278	79,278	0	0	0	65,000	14,278	79,278
12/31/2031	70,000	11,194	81,194	0	0	0	70,000	11,194	81,194
12/31/2032	70,000	7,996	77,996	0	0	0	70,000	7,996	77,996
12/31/2033	70,000	4,797	74,797	0	0	0	70,000	4,797	74,797
12/31/2034	70,000	1,599	71,599	0	0	0	70,000	1,599	71,599
Total	$688,443,402	$167,541,881	$835,985,283	$2,038,500,000	$791,308,335	$2,829,808,335	$2,706,943,402	$ 958,850,216	$3,665,793,618

1. Payments under the 2004 County Guaranty are not included in the chart.
2. Includes debt service payable on the bonds issued to EFC without regard to the subsidy provided by the State. Such subsidy is expected to be at least 33 1/3% of interest for the life of the obligations.
3. Based on a monthly 1/6th interest, 1/12th principal payment basis for a fiscal year ending February 28, and assumes an interest rate of 5.05% on the NIFA Series 2002A, Series 2002B, 2005B and 2005C variable rate bonds, and the rate on the NIFA 2004 Series B-G and I-K auction rate debt is calculated using the fixed rate swap.

Figure 17

County and NIFA Debt Service on Debt Issued for County Sewer and Storm Water Resources Purposes
(as of October 31, 2006)

	County Bonds [1,2]			NIFA Bonds[3]			**Total**		
Date	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
12/31/2006	$ 3,065,861	$ 3,928,049	$ 6,993,910	$ 778,364	$ 733,245	$ 1,511,609	$ 3,844,225	$ 4,661,294	$ 8,505,519
12/31/2007	31,823,336	13,674,533	45,497,869	2,330,895	2,168,967	4,499,863	34,154,232	15,843,501	49,997,732
12/31/2008	30,755,597	12,078,883	42,834,481	2,452,889	2,077,559	4,530,448	33,208,486	14,156,442	47,364,928
12/31/2009	26,174,062	10,571,623	36,745,685	2,752,693	1,974,063	4,726,756	28,926,756	12,545,686	41,472,441
12/31/2010	22,624,565	9,210,405	31,834,970	3,191,613	1,842,252	5,033,866	25,816,178	11,052,657	36,868,835
12/31/2011	17,868,406	8,109,031	25,977,436	3,797,627	1,687,439	5,485,066	21,666,032	9,796,470	31,462,502
12/31/2012	16,400,928	7,189,134	23,590,062	3,556,518	1,496,673	5,053,191	19,957,446	8,685,807	28,643,254
12/31/2013	14,180,052	6,373,141	20,553,193	3,641,804	1,330,829	4,972,632	17,821,856	7,703,970	25,525,825
12/31/2014	13,409,163	5,636,505	19,045,668	3,618,928	1,183,195	4,802,123	17,028,091	6,819,699	23,847,791
12/31/2015	12,386,380	4,971,346	17,357,726	3,481,317	1,041,246	4,522,563	15,867,697	6,012,592	21,880,289
12/31/2016	9,613,837	4,406,045	14,019,882	4,088,494	905,564	4,994,058	13,702,331	5,311,609	19,013,940
12/31/2017	8,652,587	3,929,454	12,582,041	3,821,434	755,424	4,576,859	12,474,021	4,684,878	17,158,899
12/31/2018	8,374,427	3,476,949	11,851,376	3,633,010	609,154	4,242,164	12,007,437	4,086,103	16,093,540
12/31/2019	8,608,000	3,019,395	11,627,395	3,956,846	473,544	4,430,390	12,564,846	3,492,939	16,057,785
12/31/2020	8,838,000	2,541,449	11,379,449	3,314,394	336,564	3,650,957	12,152,394	2,878,013	15,030,406
12/31/2021	7,876,000	2,038,544	9,914,544	1,846,334	215,146	2,061,479	9,722,334	2,253,690	11,976,023
12/31/2022	8,204,000	1,577,036	9,781,036	1,476,886	139,580	1,616,466	9,680,886	1,716,616	11,397,502
12/31/2023	6,985,000	1,117,290	8,102,290	1,097,430	75,222	1,172,652	8,082,430	1,192,513	9,274,943
12/31/2024	5,720,000	741,295	6,461,295	548,723	29,808	578,532	6,268,723	771,104	7,039,827
12/31/2025	3,590,000	396,661	3,986,661	157,337	7,934	165,271	3,747,337	404,595	4,151,932
12/31/2026	1,310,000	258,886	1,568,886	0	0	0	1,310,000	258,886	1,568,886
12/31/2027	1,355,000	189,519	1,544,519	0	0	0	1,355,000	189,519	1,544,519
12/31/2028	1,400,000	117,633	1,517,633	0	0	0	1,400,000	117,633	1,517,633
12/31/2029	795,000	55,774	850,774	0	0	0	795,000	55,774	850,774
12/31/2030	65,000	14,278	79,278	0	0	0	65,000	14,278	79,278
12/31/2031	70,000	11,194	81,194	0	0	0	70,000	11,194	81,194
12/31/2032	70,000	7,996	77,996	0	0	0	70,000	7,996	77,996
12/31/2033	70,000	4,797	74,797	0	0	0	70,000	4,797	74,797
12/31/2034	70,000	1,599	71,599	0	0	0	70,000	1,599	71,599
Total	$270,355,202	$105,648,444	$376,003,646	$53,543,538	$19,083,408	$72,626,946	$323,898,740	$124,731,852	$448,630,591

1. Payments under the 2004 County Guaranty are not included in the chart.
2. Includes debt service payable on the bonds issued to EFC without regard to the subsidy provided by the State. Such subsidy is expected to be at least 33 1/3% of interest for the life of the obligations
3. Based on a monthly 1/6th interest, 1/12th principal payment basis for a fiscal year ending February 28, and assumes an interest rate of 5.05% on the NIFA Series 2002A, Series 2002B, 2005B and 2005C variable rate bonds, and the rate on the NIFA 2004 Series B-G and I-K auction rate debt is calculated using the fixed rate swap.

Figure 18

County and NIFA Debt Service on Debt Issued for County General Purposes
(as of October 31, 2006)

	County Bonds [1,2]			NIFA Bonds[3]			**Total**		
Date	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
12/31/2006	$ 13,303,782	$ 2,385,289	$ 15,689,071	$ 25,879,970	$ 28,498,888	$ 54,378,858	$ 39,183,752	$ 30,884,178	$ 70,067,929
12/31/2007	94,299,207	19,156,831	113,456,038	82,757,438	84,435,684	167,193,122	177,056,645	103,592,516	280,649,160
12/31/2008	79,019,797	14,409,907	93,429,704	95,845,444	81,102,751	176,948,196	174,865,241	95,512,658	270,377,899
12/31/2009	69,971,001	10,288,248	80,259,248	101,733,973	77,081,363	178,815,336	171,704,974	87,369,611	259,074,585
12/31/2010	57,379,961	6,710,539	64,090,500	106,658,387	72,307,605	178,965,991	164,038,348	79,018,144	243,056,491
12/31/2011	38,198,583	3,955,746	42,154,329	124,237,373	67,353,822	191,591,196	162,435,957	71,309,568	233,745,525
12/31/2012	15,115,316	2,160,854	17,276,170	143,430,148	61,442,811	204,872,959	158,545,464	63,604,879	222,149,129
12/31/2013	12,658,948	1,405,455	14,064,403	145,929,863	54,575,987	200,505,850	158,588,811	55,981,442	214,570,253
12/31/2014	7,103,837	758,097	7,861,934	141,341,072	47,997,325	189,338,397	148,444,909	48,755,422	197,200,331
12/31/2015	6,377,620	400,704	6,778,324	137,918,683	41,738,232	179,656,915	144,296,303	42,138,936	186,435,239
12/31/2016	2,097,163	174,272	2,271,435	130,073,173	35,638,376	165,711,549	132,170,336	35,812,649	167,982,984
12/31/2017	1,982,413	74,432	2,056,845	120,923,566	30,278,761	151,202,327	122,905,979	30,353,193	153,259,172
12/31/2018	580,573	13,063	593,636	117,056,990	25,213,366	142,270,356	117,637,563	25,226,429	142,863,991
12/31/2019	0	0	0	120,466,487	20,556,020	141,022,507	120,466,487	20,556,020	141,022,507
12/31/2020	0	0	0	108,852,273	16,049,417	124,901,690	108,852,273	16,049,417	124,901,690
12/31/2021	0	0	0	88,095,333	11,804,598	99,899,931	88,095,333	11,804,598	99,899,931
12/31/2022	0	0	0	76,008,114	8,160,010	84,168,124	76,008,114	8,160,010	84,168,124
12/31/2023	0	0	0	59,757,570	4,876,628	64,634,198	59,757,570	4,876,628	64,634,198
12/31/2024	0	0	0	42,267,943	2,420,952	44,688,895	42,267,943	2,420,952	44,688,895
12/31/2025	0	0	0	15,722,663	692,329	16,414,992	15,722,663	692,329	16,414,992
12/31/2026	0	0	0	0	0	0	0	0	0
12/31/2027	0	0	0	0	0	0	0	0	0
12/31/2028	0	0	0	0	0	0	0	0	0
12/31/2029	0	0	0	0	0	0	0	0	0
12/31/2030	0	0	0	0	0	0	0	0	0
12/31/2031	0	0	0	0	0	0	0	0	0
12/31/2032	0	0	0	0	0	0	0	0	0
Total	$398,088,200	$61,893,437	$459,981,637	$1,984,956,462	$772,224,928	$2,757,181,389	$2,383,044,662	$834,118,364	$3,217,163,026

1. Payments under the 2004 County Guaranty are not included in the chart.
2. Includes debt service payable on the bonds issued to EFC without regard to the subsidy provided by the State. Such subsidy is expected to be at least 33 1/3% of interest for the life of the obligations
3. Based on a monthly 1/6th interest, 1/12th principal payment basis for a fiscal year ending February 28, and assumes an interest rate of 5.05% on the NIFA Series 2002A, Series 2002B, 2005B and 2005C variable rate bonds, and the rate on the NIFA 2004 Series B-G and I-K auction rate debt is calculated using the fixed rate swap.

Prior to July of 2000, the County's debt issuance policy produced rapidly declining debt service and accelerating principal amortization. These practices produced large debt service payments in the first five to ten years after the bonds were issued. The consistent utilization of these amortization structures created a high near-term debt service burden, which rapidly declined. NIFA has issued debt based on a level annual debt service amortization structure with a 20-year term. This practice creates substantially equal annual payments of debt service for each series of bonds and has effectively extended the weighted average life of the County's total outstanding debt and has created an almost level debt service burden in the future.

The County has historically funded substantially all of its significant capital expenditures with bond proceeds. It is the County's current goal to transition to funding shorter-lived assets with current revenues. Prior to 2006, the County had also funded all of its costs associated with payment of property tax refunds with bonds. See "REAL PROPERTY TAX ASSESSMENT AND COLLECTION – Real Property Assessment – *Administrative Review of Assessments*" and "LITIGATION – Property Tax Litigation" herein. The County intends, beginning in 2007, to transition gradually away from the use of bond proceeds to finance non-tax certiorari judgments and settlements. See "LITIGATION" herein.

The County was involved in a number of interest rate exchange agreements in 2004. NIFA issued $600 million in auction rate securities to refund previously issued debt that were hedged through a series of LIBOR-based interest rate swaps. NHCC, backed by the 2004 County Guaranty (as defined in "NASSAU HEALTH CARE CORPORATION" herein) entered into three LIBOR-based interest rate swaps on a notional amount of $219.6 million in variable rate demand obligations. Additionally, NHCC executed a callable floating-to-fixed LIBOR-based interest rate swap on a notional amount of $65.5 million in taxable auction rate debt. LIBOR-based interest rate swaps carry certain risks, notably basis risk, tax risk, counterparty or credit risk, termination risk, and rollover risk. Though the County is not a counter-party to any of these interest rate exchange agreements, the County's financial position is affected in certain instances by their performance. The County understands and regularly monitors these risks. See "COUNTY GOVERNMENT AND FINANCIAL MANAGEMENT – Swap Policy", "NASSAU COUNTY INTERIM FINANCE AUTHORITY" and "NASSAU HEALTH CARE CORPORATION – 2004 Refunding" herein.

Refunded Bonds

Various outstanding County serial bond issues have been refunded for present value debt service savings, in addition to County bonds restructured by NIFA. The County anticipates the refinancing of outstanding indebtedness whenever the present value savings of such transactions, taking into account costs of issuance, so warrant, provided that the refinancing opportunity meets the criteria established in the County's debt Policy. See "COUNTY GOVERNMENT AND FINANCIAL MANAGEMENT – County Financial Management - *Debt Policy*" herein.

Capital Leases

The County has entered into various capital leases, installment sales contracts and lease purchase agreements. Figure 19 shows the future minimum lease payments due on such obligations and the present value of these minimum payments.

FIGURE 19
MINIMUM LEASE PAYMENTS
CAPITAL LEASES (IN THOUSANDS)
PROJECTED AS OF DECEMBER 31, 2005

Fiscal Year Ending December 31:		
	2006	$732
	2007	740
	2008	748
	2009	757
	2010	766
	2011-2015	3,995
	2016-2020	4,300
	2021-2025	4,249
Future Minimum Payments		$16,287
Less Interest		10,715
Present Value Minimum Lease Payments		$ 5,572

The County enters into capital leases, lease purchase agreements or installment sales contracts in the ordinary course of business.

Short-Term Indebtedness

The County expects from time to time to borrow for capital purposes by issuing bond anticipation notes ("BANs") and for cash flow purposes by issuing tax anticipation notes ("TANs") and revenue anticipation notes ("RANs").

Bond Anticipation Notes

The County utilizes BANs for short-term financing of capital expenditures with the expectation that the principal amount thereof will be refinanced with the proceeds of long-term bonds or repaid with State or federal funds. Figure 20 shows recent and expected issuance of BANs by the County. Currently, neither the County nor NIFA has BANs outstanding.

FIGURE 20
SHORT-TERM INDEBTEDNESS
BOND ANTICIPATION NOTES (IN MILLIONS)

2004	**2005**	**2006**	**2007** [1]
$ 0.00	$ 0.00	$ 0.00	$275.00

[1]Projected

Cash Flow Notes

The County has periodically issued RANs and TANs to fund the County's short-term cash flow needs. In 2005, the County issued $120 million in TANs, as shown in Figure 21.

FIGURE 21
SHORT-TERM INDEBTEDNESS
CASH FLOW NOTES (IN MILLIONS)

Obligation	2004	2005	2006 [1]	2007 [1]
Revenue Anticipation Notes	0.00	0.00	0.00	35.00
Tax Anticipation Notes	$ 0.00	$ 120.00	$ 150.00	$ 165.00
Total	$ 0.00	$ 120.00	$ 150.00	$ 200.00

[1] Projected.

In the 2007-2010 Multi-Year Financial Plan, the County projects that it will continue to undertake one or more cash flow borrowings annually.

Current and Projected Bond Issuance

In order to finance various general capital programs, property tax refunds (within the limits of the NIFA Act; see "MONITORING AND OVERSIGHT – External – *NIFA*" and "REAL PROPERTY TAX ASSESSMENT AND COLLECTION – Real Property Assessment – *Administrative Review of Assessments"* herein) and other judgments and settlements, the County does not anticipate issuing bonds in 2006 or 2007.

FIGURE 22
COUNTY BONDS (IN MILLIONS)

Projected 2006	Projected 2007
$ 0.00	$ 0.00

See "CAPITAL PLANNING AND BUDGETING" herein for additional information concerning the County's projected borrowings.

Constitutional Provisions

Limitations on indebtedness (some of which apply to the 2004 County Guaranty as hereinafter described below under the heading "NASSAU HEALTH CARE CORPORATION") are found in Article VIII of the State Constitution and are implemented by the Local Finance Law. The provisions of Article VIII referred to in the following summaries are generally applicable to the County and the obligations authorized by its County Legislature. There is no constitutional limitation on the amount that may be raised by the County by tax upon real estate in any fiscal year to pay principal of and interest on County indebtedness.

Article VIII, Section 1

The County shall not give or loan any money or property to or in aid of any individual or private corporation, association or private undertaking nor shall the County give or loan its credit to or in aid of any of the foregoing or a public corporation. This provision does not prevent a county from contracting indebtedness for the purpose of advancing to a town or school district pursuant to law the amount of unpaid taxes returned to such county. Notwithstanding the provisions of Article VIII, Section 1 of the State Constitution, Article 17, Section 7 provides that the State Legislature may authorize a municipality to lend its money or credit to or in aid of any corporation or association, regulated by law as to its charges, profits, dividends, and disposition of its property or franchises, for the purpose of providing such hospital or other facilities for the prevention, diagnosis or treatment of human disease, pain, injury, disability, deformity or physical condition, and for facilities incidental or appurtenant thereto as may be prescribed by law. See "STATEMENT OF REVENUES AND EXPENDITURES" and "REAL PROPERTY TAX ASSESSMENT AND COLLECTION – Collection" herein.

Article VIII, Section 2

The County shall not contract indebtedness except for a County purpose. No such indebtedness shall be contracted for longer than the period of probable usefulness of the purpose or, in the alternative, the weighted average period of probable usefulness of the several purposes, for which it is contracted and in no event may this period exceed forty years. The County must pledge its faith and credit for the payment of the principal of and the interest on any of its indebtedness. Except for certain short-term indebtedness contracted in anticipation of the collection of taxes and indebtedness to be paid within one of the two fiscal years immediately succeeding the fiscal year in which such indebtedness was contracted, all indebtedness shall be paid in annual installments. Indebtedness must be paid in annual installments commencing not more than two years after the debt was contracted and no installment shall be more than 50% in excess of the smallest prior installment unless the governing body of the County provides for and utilizes substantially level or declining annual debt service payments. Provision shall be made annually by appropriation by the County for the payment of interest on all indebtedness and for the amounts required for the amortization and redemption of serial bonds.

Article VIII, Section 4

The County shall not contract indebtedness which including existing indebtedness shall exceed 10% of the five-year average full valuation of taxable real estate therein. The average full valuation of taxable real estate of the County is determined pursuant to Article VIII, Section 10 of the State Constitution by taking the assessed valuations of taxable real estate on the last completed assessment roll and the four preceding rolls and applying to such rolls the ratio as determined by the State Office of Real Property Services or such other State agency or official as the State Legislature shall direct which such assessed valuation bears to the full valuation. The Local Finance Law requires that the face value of the principal amount of the 2004 County Guaranty (as defined herein), as executed and delivered, be deemed indebtedness for the purpose of this constitutional provision. See "NASSAU HEALTH CARE CORPORATION – 2004 Refunding" herein. Article VIII, Section 5 and Article VIII, Section 2-a of the State Constitution enumerate exclusions and deductions from the Constitutional debt limit. Such deductions include indebtedness incurred for water and certain sewer facilities.

Statutory Provisions

Title 8 of the Local Finance Law contains the statutory limitations on the power to contract indebtedness. Section 104.00 limits, in accordance with Article VIII, Section 4 of the Constitution, the ability of the County to contract indebtedness to 10% of the five-year average full valuation of taxable real estate. The statutory provisions implementing constitutional provisions authorizing deductions and excluding indebtedness from the debt limits are found in Title 9 and Title 10 of the Local Finance Law. In addition to the constitutionally enumerated exclusions and deductions, deductions are allowed for cash or appropriations for debt service pursuant to the authority of a decision of the State Court of Appeals. NIFA is not subject to the provisions of the Local Finance Law; however, obligations issued by NIFA on behalf of the County count toward the County's debt limit.

Statutory Procedure

In general, the State Legislature has, by the enactment of the Local Finance Law, authorized the power and procedure for the County to borrow and incur indebtedness subject, of course, to the constitutional and statutory provisions set forth above. The power to spend money, however, generally derives from other law, including specifically the County Charter and the County Law.

Pursuant to the Local Finance Law, the County Charter and the County Law, the County authorizes the issuance of bonds by the adoption of an ordinance, approved by a super-majority vote of the voting strength of the members of the County Legislature, the finance board of the County. Customarily, the County Legislature has delegated to the County Treasurer, as chief fiscal officer of the County, the power to authorize and sell bond anticipation notes in anticipation of authorized bonds. The Local Finance Law also provides that where a bond ordinance is published with a statutory form of estoppel notice, the validity of the bonds authorized thereby, including bond anticipation notes issued in anticipation of the sale thereof, may be contested only if:

1. such obligations are authorized for a purpose for which the County is not authorized to expend money; or

2. there has not been substantial compliance with the provisions of law which should have been complied with in the authorization of such obligations and an action, suit, or proceeding contesting such validity, is commenced within twenty days after the date of such publication; or

3. such obligations are authorized in violation of the provisions of the State Constitution.

Except on rare occasions the County complies with this estoppel procedure. It is a procedure that is recommended by bond counsel, but it is not an absolute legal requirement.

Each bond ordinance usually authorizes the construction, acquisition or installation of the object or purpose to be financed, sets forth the plan of financing and specifies the maximum maturity of the bonds subject to the legal (State Constitution, Local Finance Law and case law) restrictions relating to the period of probable usefulness with respect thereto. Historically, the County has authorized bonds for a variety of County objects or purposes. From 2000 through 2005, NIFA borrowed for such objects or purposes on the County's behalf after adoption of said bond ordinances. See "NASSAU COUNTY INTERIM FINANCE AUTHORITY" herein.

The Local Finance Law permits bond anticipation notes to be renewed each year provided annual principal installments are made in reduction of the total amount of such notes outstanding, commencing no later than two years from the date of the first of such notes and provided that such renewals do not extend five years beyond the original date of borrowing.

In general, the Local Finance Law also contains provisions providing the County with power to issue certain other short-term general obligation indebtedness including budget notes, capital notes, revenue anticipation notes, and tax anticipation notes.

CAPITAL PLANNING AND BUDGETING

The County Charter requires the County to have a four-year capital plan and an annual capital budget. The Charter sets forth deadlines for the County Executive to submit a proposed capital plan and capital budget to the County Legislature, describes the minimum informational requirements to be contained therein, and contains a schedule and structure for the legislative review, modification and approval process.

The law requires a description and spending projection for each project, proposed funding sources, a report on the outstanding indebtedness of the County and NIFA, a list of previously approved capital projects that have not been completed, a list of authorized but unissued bonds and projections of the County's outstanding indebtedness assuming completion of pending capital projects.

The current administration has created a Capital Review Committee - consisting of key department managers - to establish formal criteria to evaluate capital budget requests, make recommendations to the County Executive on spending priorities and monitor progress of individual projects. Monthly spending and borrowing plans have been developed for each project, which the Capital Review Committee, the Department of Public Works and the relevant County departments review on a regular basis. This review of long-term asset performance enables the County to determine whether capital purchases and projects have produced expected results over time.

Capital Plan(s) and Capital Budget(s)

The County Legislature has (i) adopted the capital budget for fiscal year 2006 (as it may be amended from time to time, the "2006 Capital Budget") and the capital plan for fiscal years 2006-2009 (as it may be amended from time to time, the "2006-2009 Capital Plan") and (ii) has received the proposed capital plan for fiscal years 2007-2010 (as it may be amended from time to time, the "2007-2010 Capital Plan") from the County Executive. The 2006 Capital Budget is approximately $228 million, the revenue for which is a combination of long-term debt (or bond anticipation notes) and local, State or federal aid. The amount of such debt projected to be issued by or on behalf of the County for objects or purposes in the 2006 Budget is approximately $196 million. The major components of the approved 2006 Capital Budget and the proposed 2007-2010 Capital Plan, are listed in Figure 23.

FIGURE 23
2006 CAPITAL BUDGET AND PROPOSED 2007-2010 CAPITAL PLAN

Project Category	2006	2007	2008	2009	2010
Buildings	$ 9,950,000	$ 10,725,000	$ 16,575,000	$ 57,500,000	$ 70,750,000
Building Consolidation Program	6,850,000	5,000,000	0	0	0
Equipment	5,200,000	19,300,000	5,400,000	5,225,000	5,650,000
Infrastructure (including Community College)	11,300,000	9,700,000	15,740,780	20,650,000	4,500,000
Open Space Preservation	38,000,000	12,000,000	0	0	0
Parks	10,850,000	15,650,000	13,050,000	14,600,000	13,850,000
Property	1,000,000	1,000,000	2,000,000	3,200,000	3,000,000
Public Safety	31,821,382	24,420,000	30,345,000	21,300,000	27,075,000
Sewer and Storm Water	23,790,000	27,257,500	29,020,000	29,716,666	20,450,000
Technology	8,575,000	10,230,000	16,730,000	10,060,000	7,335,000
Traffic	10,225,000	11,550,000	3,900,000	3,700,000	3,750,000
Transportation	5,853,650	3,477,500	2,625,500	3,027,500	2,728,500
Judgments and Settlements	35,000,000	20,000,000	15,000,000	10,000,000	5,000,000
Total	$198,415,032	$170,310,000	$153,086,280	$178,979,166	$164,088,500

REAL PROPERTY TAX ASSESSMENT AND COLLECTION

Real Property Assessment

The County assesses all real property within the County to support its own property tax levy and the tax levies for the three towns, all but one of the 56 school districts, and 225 county and town special districts. The County also provides assessment review services in support of its assessment roll. The County is one of only two county assessing units in the State.

Pursuant to the County Charter, it is the duty of the Board of Assessors to assess all property situated in the County. The Board of Assessors has four members who are appointed by the County Executive and an elected Chairman who is also the administrator of the County Department of Assessment.

State Real Property Tax Law ("RPTL") Article 18 requires that all County real property be assessed in one of the following four classes:

Class One – one, two and three-family homes, residential condominiums of three stories or less and residential vacant land.

Class Two – apartments, residential cooperatives and residential condominiums of four stories or more.
Class Three – utility equipment and special franchise property (poles, wires and equipment on public property).
Class Four – all other property, principally commercial and industrial buildings and vacant land zoned for nonresidential use.

Assessment Roll

In 2002, the County completed a revaluation of all properties on the assessment roll. This was the County's first mass appraisal of commercial properties since 1986 and the first mass appraisal ever of residential properties. The revaluation assessment roll was promulgated as a tentative roll in January 2003. Revaluation of Class One property on the assessment roll was required by the terms of the consent decree in *Coleman v. County*, Nassau County Supreme Court.

In 2003, the County Executive and the Chairman of the Board of Assessors jointly filed a six-year plan for assessment roll updates with the State Office of Real Property Services. The County also entered into a contract for annual updates to the revalued roll and the annual updates were promulgated as tentative assessment rolls in January 2004 and January 2005. The contract runs through 2008 but permits the County to terminate all or part of the revaluation contractor's services as it develops the internal expertise to carry out assessment roll updates with County personnel. The County took over valuation of commercial parcels in 2005 and plans to take over all aspects of residential valuation before the end of the contract. The County has worked with the revaluation contractor since 2003 to improve the quality of the annual updates to the assessment roll, resulting in substantial improvements to the quality of commercial and residential assessments.

Prior to 2002, there was no effective administrative review of assessment grievances in the County, so virtually all such cases were resolved in court proceedings. See "*Administrative Review of Assessments"* within this section. Because of the delays and inefficiencies inherent in the judicial process, a large backlog of commercial assessment challenges accumulated. The County's commercial refund expense was approximately $110 million annually from 1995 through 2002. See "LITIGATION - Property Tax Litigation - Challenges to Assessed Valuations" herein. The County's residential refund expense was approximately $13 million annually in the same period. By updating its assessment rolls annually, the County reasonably anticipates that it will be able to promulgate more accurate assessments than in the past, and thereby reduce the level of tax certiorari liability that each assessment roll generates.

By operation of State law, when commercial assessments are updated annually, only 20% of the assessment increase is deemed taxable in the first year. Transition assessments therefore will have the effect of reducing the refund expense caused by inaccurate commercial assessments. Effective with the tentative roll promulgated in 2006, residential assessments will have similar restriction by operation of law: increases are capped at 6% annually and no more than 20% over five years.

Tax Levy Guarantee

Unlike any other assessing unit in the State, State law requires that the County guarantee the tax levy for all but one of the school districts, towns and special districts within the County. This guarantee applies in any instance of overpayment of property tax due to assessment errors. Thus, the County is responsible to pay the full amount of the refund for overpayment of school, town, and special district taxes based on inaccurate assessments, even though the County does not collect or keep the tax overpayment. The guarantee does not apply to property taxes levied in the County by or on behalf of cities, villages or the Glen Cove School District. See "LITIGATION - Property Tax Litigation" herein

Administrative Review of Assessments

Because of the property tax refund guarantee, it is important for the County to correct any identifiable errors on the assessment roll before the roll becomes final and the County assumes full refund liability. Administrative review of assessments is the responsibility of the Assessment Review Commission ("ARC"), which is headed by a chairman appointed by the County Executive. Legislation enacted by the State in 2002 provides ARC with sufficient time to correct the tentative assessment roll before the assessments become final and the County assumes its refund guarantee obligation. The Department of Assessment promulgates the tentative assessment roll in January of each year. The law moved the date of the promulgation of the tentative assessment roll back one year. The law became fully effective for the first time with the roll promulgated tentatively in January 2004, which became final in April 2005, leaving a 15-month period between the issuance of the tentative and final rolls. During such period, ARC was able to review and correct erroneous assessments without generating any liability for the County.

Prior to 2002, the estimated annual tax reduction resulting from ARC corrections of the final roll were less than $10 million. From 2002 to 2006, ARC has corrected errors on County assessment rolls valued at approximately $337 million. The County seeks to correct as many assessments as possible on the final roll as a means to reduce liability for refunds.

In addition to its ability to correct the current assessment roll, under the 2002 State legislation, ARC has authority to resolve all open assessment challenges for past years with the same effect as a court order. This authority lapses in 2007, after which ARC will only be authorized to resolve administratively the current tax year's assessments and up to three years of pending litigation. The County believes that ARC's authority to resolve tax certiorari cases in a faster and more cost-effective manner than through the judicial process has accelerated the rate at which cases are resolved.

The NIFA Act imposes limits on the County's ability to count as operating revenues in its Multi-Year Financial Plans, among other things, the proceeds of County or NIFA debt issued to finance the payment of tax certiorari judgments and settlements. See "MONITORING AND OVERSIGHT – External – *NIFA*" herein. Consistent with the NIFA Act, the County accelerated the payment of property tax claims in 2004 and 2005. In 2004, payments reached $185 million; in 2005, payments totaled $251 million, including $54 million paid into an escrow account in connection with a refund without settlement program. At the end of 2005, the County estimated that its liability for pending property tax claims had been reduced to $131 million, a 20-year low. See "NASSAU COUNTY INTERIM FINANCE AUTHORITY" and "LITIGATION – Property Tax Litigation" herein.

The number of commercial protests was unchanged after the revaluation because virtually every commercial parcel already protested its assessment for every year. The number of residential grievances (including duplicate proceedings) almost doubled after the revaluation from 61,028 for the 2002/2003 tax year to 122,027 for 2007/2008. In the last year before the revaluation, 40,097 residential cases went on to small claims assessment review proceedings in State Supreme Court. Since the revaluation, the number of residential cases has ranged from a low of 31,415 for 2003/2004 to a high of 56,834 for 2006/2007.

Because of its important role in protecting the County from property tax refund exposure, the County has staffed ARC with qualified property appraisal experts. In 2001, ARC had only part-time commissioners and one full-time staff person. ARC now has a full-time chairman and vice-chairman, and a staff of approximately 40, including 25 professional appraisers and 5 analysts.

Real Property Tax Limit

The amount that may be raised by the County tax levy on real estate in any fiscal year for purposes other than for debt service on County indebtedness is limited to two per centum (2.0%) of the average five-year full valuation of real estate of the County in accordance with the provisions of Article VIII of the State Constitution (1-1/2%) and the County Law (additional 1/2%), less certain deductions as prescribed therein. There is no constitutional limitation on the amount that may be raised by the County by tax upon real estate in any fiscal year to pay principal of and interest on County indebtedness.

Figure 24 sets forth the real property taxing limit of the County.

FIGURE 24
COMPUTATION OF CONSTITUTIONAL TAXING POWER
(IN THOUSANDS)

Year Roll Completed	**Full Valuation[(d)] of Real Estate**
2006	$248,610,000
2005	212,410,000
2004	197,447,587
2003	161,160,799
2002	140,129,811
Total	$959,758,197
Five-year average full valuation	$191,951,639
Tax Limit (2.0%)[(a)]	$3,839,033
Total Exclusions[(b)]	299,878
Total Taxing Power for 2007 Levy	$4,138,911
Total Levy for 2007[(c)]	$758,711
Tax Margin	$3,380,200
Percentage of Taxing Power Exhausted	22.45%

(a) The State Constitution limits the tax on real estate to one and one-half per centum of the average full valuation, and provides that the State Legislature may prescribe a method to increase this limitation to not to exceed two per centum. The tax limit was raised to two per centum by provisions of the County Law and a resolution adopted by the County Board of Supervisors, predecessor to the County Legislature.

(b) Debt service of $299,877,808. Interest on and principal of all indebtedness for fiscal year 2007 is excluded from the calculation of real estate taxes limited under the provisions of Article VIII, Section 10 of the State Constitution.

(c) Includes the tax levies for the General Fund, the Police District Fund, the Police Headquarters Fund, the Fire Prevention Fund, and the Community College Fund.

(d) Full valuation figures are computed by the State Office of Real Property Services.

Largest Real Property Taxpayers

Figure 25 shows the largest real property taxpayers in the County and the total assessed value of their properties.

FIGURE 25
LARGEST REAL PROPERTY TAXPAYERS
2006

Taxpayer	Total Assessed Value ($)	Total Assessed Value (%)
Long Island Lighting Co. & LIPA	$ 14,278,118	1.34%
Verizon New York	5,778,679	0.54
Keyspan Corp.	5,323,827	0.50
Retail Property Trust	3,484,946	0.33
Reckson	2,141,057	0.20
EQK Green Acres LP	1,989,803	0.19
CLK-HP	1,864,243	0.18
Galaxy LI Assoc. LLC	1,579,512	0.15
GG & A Broadway Partners LLC	1,318,238	0.12
Northrop Grumman	1,300,800	0.12
NY Racing/Greater NY Assoc.	1,244,975	0.12
We're Associates	1,238,860	0.12
LI Water	1,117,794	0.11
CLPF Roosevelt Raceway LP	1,058,399	0.10
JQI Associates LLC	1,058,356	0.10
Hudson Resources & Sunrise Mall	1,044,282	0.10
Corporate Property Investors	905,506	0.09
Fairhaven Apartments	887,300	0.08
RP Stellar Strong Island LLC	831,639	0.08
W&S Associates LLP	746,934	0.07
S & E Realty	706,482	0.07
New York Water Service	680,786	0.06
Home Depot	552,418	0.05
Franklin Ave. Plaza One LLC	543,416	0.05
P1 Westbury LLC	523,571	0.05
TOTAL (Top 25)	$ 52,199,941	4.91%
TOTAL TAX BASE	$1,063,176,988	100.00%

Collection

County, Town and Special District Taxes

General taxes are levied on January 1 for the fiscal year January 1 through December 31, with semi-annual payments due by February 10 and August 10. Unpaid general taxes become delinquent on March 1 and September 1, respectively. Tax statements are mailed and County taxes are collected by the receivers of taxes for each of the three towns and the two cities within the county. General taxes include taxes for the County, towns, special districts, and any other special assessments. The exceptions are the cities of Glen Cove and Long Beach, which assess and collect their own city taxes separately from the bills they render for County general taxes.

The receivers of taxes take the total tax proceeds they collect, deduct the amount of the levies for town and special districts and any other special assessments and then pay the difference to the County. Thus any shortfall in the collection of general taxes is borne by the County. Since the cities of Glen Cove and Long Beach render their own tax bills, any shortfalls in those local taxes are borne by the cities themselves.

The receivers of taxes are required to pay to the County Treasurer on the fifteenth day of each month all County taxes they have collected prior to the first day of such month.

School District Taxes

School taxes for the school fiscal year of July 1 through June 30 are levied on October 1, with semi-annual payments due by November 10 and May 10. Unpaid school taxes become delinquent on December 1 and June 1, respectively.

Uncollected taxes are returned by the town receivers to the County after December 1 and June 1. The County ensures that each school district receives the total amount of taxes billed. The County pays the school districts the amounts billed and uncollected by the towns and cities. This procedure covers the entire County except the City of Glen Cove, which has a coterminous school district; the City of Glen Cove, and not the County, guarantees that the Glen Cove School District receives the total tax amounts billed. See "LITIGATION" herein.

The County is authorized to pay monies due to the school districts from funds on hand or may borrow monies for such purpose pursuant to the provisions of the Local Finance Law.

Delinquency Procedure

In the event taxes are not paid when due, the following occurs:

(a) General taxes due on January 1 and not paid by February 10 or August 10 are charged a 2% penalty. During the "late periods" of February 11 through February 28 and August 11 through August 31, principal and the 2% penalty may be paid at the town or city. If payment is made during this "late period," the town or city keeps the 2% penalty. After the late period, commencing September 1, payments may be made only to the County and the County pays the town or city the unpaid principal amount of taxes collectible by each respective receiver for towns, special districts and any other special assessments.

On September 1, the County imposes a 5% penalty on the total amount then due (the original principal plus the 2% penalty), and a $85 listing fee. Thereafter, a 1% penalty is imposed on the first day of each subsequent month on the total amount then owing. For example, between after August 31, if unpaid, the amount owed is principal plus the 2% penalty plus 5% of that total, plus 1% interest compounded per month, plus $85. On April 1 another 1% of all those amounts is added to the balance owed.

On December 1 an advertising fee of $85 is imposed in addition to all other fees; this compensates the County for advertising the uncollected tax receivable which will be offered for sale at a tax lien auction in the subsequent February.

(b) School taxes due on October 1 and not paid by November 10 or May 10 are charged a 2% penalty. During the "late periods" of November 11 through November 30 and May 11 through May 31, principal and the 2% penalty may be paid at the town or city. If payment is made during this "late period," the town or city keeps the 2% penalty. After the late period, commencing June 1, payments may be made only to the County and the County pays the school districts the unpaid principal amount of their taxes.

On June 1, the County imposes a 5% penalty on the total amount then due (the original principal plus the 2% penalty) and a $85 listing fee. Thereafter, a 1% penalty is imposed on the first day of each subsequent month on the total amount then owing. For example, after May 31, if unpaid, the amount owed is principal plus the 2% penalty plus 5% of that total, plus 1% interest compounded per month, plus $85.

On December 1 an advertising fee of $85 is imposed in addition to all other fees; this compensates the County for advertising the uncollected tax receivable which will be offered for sale at a tax lien auction in the subsequent February.

(c) The County annually holds a tax lien sale to ensure the collection of all taxes due. This sale commences on the third Tuesday of each February. The taxpayer is charged an additional 10% penalty if he pays his taxes after the tax lien sale. The liens are sold at public auction to the bidder offering to accept the lowest rate of interest; bidding begins at 10% and moves downward. The most desirable properties have their liens purchased for less than 10% interest because the property owners will probably pay off their taxes quickly to avoid losing their property to foreclosure. The successful bidder only receives the amount bid, for example 4%. The differential, in this case 6%, accrues to the County. Uncollected tax receivables which are not sold at auction become tax liens owned by the County.

Successful bidders at the time of sale are required to deposit with the County Treasurer 10% of the amount of the tax lien (the total amount owed to the County the day of the lien sale) and the remaining 90% within thirty days of the sale. The holder of a tax lien for a property other than those classified as Class One or as a Class Two condominium pursuant to section 1802 of the RPTL, if it has not been satisfied within 24 months of the sale date, may obtain a deed of conveyance from the County Treasurer or foreclose his tax lien. The holder of a tax lien for a property classified as Class One or as a Class Two condominium pursuant to section 1802 of the RPTL, if it has not been satisfied within 24 months of the sale date, may commence a foreclosure action provided the property owner has not been granted a one-year extension through hardship designation, or provided that the property owner has not been granted a 24-month extension through an alternate designation on all said liens sold on or before June 30, 1994.

The County Treasurer has at all times sold groups of County owned tax liens in bulk. The County has contracted with one or more collection firms to collect the balances owed on its tax liens. These firms are paid a contingent commission after the County has been paid the total amount owed.

The Municipal Bond Bank of the State has from time to time organized sales of securities secured by the tax liens of various jurisdictions throughout the State. In these transactions, the local government entity receives a certain amount of funds for its tax liens (for example 70% of the amount owed) on a non-recourse basis (meaning the risk of non-collection is borne by the securities holders). Once certain payments are made to the securities holders and certain expenses are paid, any additional funds collected may result in supplemental payments to the participating local governments. The County may in the future participate in one or more of such transactions.

NASSAU COUNTY INTERIM FINANCE AUTHORITY

Upon request of the County, NIFA has the power to issue its bonds and notes to pay certain "financeable costs," as defined in the NIFA Act, of the County, as more fully described below. For a discussion of NIFA's oversight, monitoring and review of the County's finances, see "MONITORING AND OVERSIGHT –External – *NIFA*" herein.

The NIFA Act authorizes NIFA's issuance of bonds and notes, without limit, to finance capital projects and cash flow needs of the County, as well as, to the extent authorized by State law, any County deficit. In addition, NIFA may issue bonds up to limits currently set forth in the NIFA Act, exclusive of any bonds issued to finance reserves, capitalized interest or costs of issuing such obligations as follows: to refinance any County indebtedness (up to $415 million); to refinance only tax certiorari settlements or assignments of any kind to which the County is a party ($790 million); and to finance tax certiorari judgments and settlements of the County (up to $400 million if the proceeding commenced prior to June 1, 2000, and up to $400 million, in aggregate, for proceedings commenced on or after June 1, 2000. Bonds issued to refund bonds previously issued for purposes subject to the debt limits described above. are not counted against such limits. Effective in the years 2006 and 2007, upon request of the County, NIFA shall issue, in the amount requested, bonds to pay tax certiorari settlements or judgments of any kind to which the County is a party, not to exceed $15 million and $10 million, respectively, subject, however, to the $400 million aggregate limit for proceedings commenced on or after June 1, 2000. described above. The NIFA Act provides that NIFA may not issue bonds or notes after 2007, other than to retire or otherwise refund NIFA debt. No bond of NIFA may mature later than January 31, 2036 or more than 30 years from its date of issue. The County does not expect that it will request that NIFA issue bonds or notes to finance County costs which may be financed in 2006 or 2007.

NIFA has issued $2,507,255,000 of bonds, of which $2,086,960,000 are outstanding as of October 31, 2006 pursuant to the NIFA Act and an indenture between NIFA and United States Trust Company of New York, as Trustee dated as of October 1, 2000, as supplemented and amended from time to time (the "NIFA Indenture"). In addition, NIFA has issued several series of bond anticipation notes, none of which is currently outstanding.

NIFA has issued $394,419,895 to refund and to restructure County indebtedness (excluding County tax certiorari-related debt) leaving $20,580,105 in statutory capacity for such additional general refunding and restructuring. In addition, NIFA has issued $472,952,186 to refund or restructure County tax certiorari-related debt, leaving $317,047,814 in statutory capacity to refund or restructure such County tax certiorari-related debt.

NIFA has also issued a total of $775,252,957 in debt to finance County tax certiorari-related judgments and settlements. Of this amount, $375,302,958 was issued to finance County tax certiorari judgments and settlements for proceedings commenced before June 1, 2000, leaving $24,697,042 in statutory capacity to fund such proceedings commenced prior to June 1, 2000.

In accordance with the NIFA Act, NIFA revenues are applied first, pursuant to NIFA's contracts with bondholders, to the payment of debt service, then to pay NIFA expenses not otherwise provided for, to pay debt service on other obligations of NIFA subordinate to NIFA operating expenses and finally, to the County as frequently as practicable. NIFA's revenues are derived from sales tax net collections (authorized by the State and imposed by the County) paid or payable to NIFA pursuant to Section 1261 of the Tax Law (see "STATEMENT OF REVENUES AND EXPENDITURES – Revenues - *Sales Tax*"), which, together with investment earnings on money and investments on deposit in the accounts established under the NIFA Indenture, are the only source of payment for the holders of NIFA bonds and notes. Pursuant to the NIFA Act and the NIFA Indenture, NIFA has pledged such revenues for payment of its bonds and notes. The NIFA Act provides that NIFA's pledge of its revenues represents a perfected first security interest on behalf of the holders of NIFA bonds and notes.

NIFA does not have, nor is it expected to have, any significant assets or sources of funds other than the above-described sales tax revenues and amounts on deposit pursuant to the NIFA Indenture. Neither the County nor the State guarantees the debt of NIFA. The State is not obligated to make any additional payments or impose any taxes to satisfy the debt service obligations of NIFA. NIFA is not authorized by State law to file a petition in bankruptcy pursuant to Title 11 (the "Bankruptcy Code") of the United States Code.

NIFA's bonds are payable from NIFA's revenues which consist principally of the sales tax net collections paid or payable to NIFA pursuant to Section 1261 of the Tax Law, which exclude amounts allocated to towns, cities and villages in the County pursuant to the local government assistance program established by the County and investment earnings on money and investments on deposit in the accounts established under the NIFA Indenture. See "STATEMENT OF REVENUES AND EXPENDITURES – Revenues – *Sales Tax*" herein.

Bonds of NIFA may be issued, amortized, redeemed and refunded without regard to the provisions of the Local Finance Law, except that the principal amount of outstanding bonds of NIFA shall be deemed indebtedness of the County for purposes of ascertaining the amount of indebtedness the County may contract pursuant to the Local Finance Law and State Constitution and NIFA may not exceed such limitation.

The total anticipated debt service payable on outstanding bonds of NIFA is set forth as part of the County debt service tables in this Official Statement. See "COUNTY INDEBTEDNESS AND DEBT LIMITATIONS – Debt Service Requirements" herein.

NASSAU HEALTH CARE CORPORATION

Nassau Health Care Corporation ("NHCC") is a public benefit corporation that provides health care primarily to the County's uninsured and underinsured population. NHCC operates the Nassau University Medical Center (the "hospital" or "NUMC"), the A. Holly Patterson Nursing Home (the "nursing home" or "AHP"), six health centers and one school health clinic (the "clinics" or "DTCs"). NHCC also provides health services to inmates of the Nassau County Correctional Center. Pursuant to State authorizing legislation codified at Public Authorities Law §3400 et. seq. (hereinafter referred to as the "NHCC Act"), the County transferred the hospital, nursing home and clinics to NHCC effective September 29, 1999.

Under the NHCC Act, NHCC is governed by a board of fifteen directors, of whom eight are appointed by the Governor (two on recommendation of the County Executive, three on recommendation of the majority leader of the County Legislature, one on recommendation of the minority leader of the County Legislature, one on recommendation of the Speaker of the State Assembly and one on recommendation of the Temporary President of the State Senate), four by the County Legislature and three by the County Executive. The NHCC Act also provides for three additional non-voting members, one of whom is the Chief Executive Officer. NHCC has the power to acquire, operate and manage health care facilities, to issue bonds and notes to finance the capital costs thereof, including the costs of acquiring such facilities from the County and to enter into interest rate exchange agreements to hedge its variable rate debt exposure. The NHCC Act also permits the County (i) to enter into contracts with NHCC for services; (ii) to appropriate sums of money to defray NHCC's project costs or other expenses; (iii) to lend its money or credit to NHCC; and (iv) to issue County bonds and notes for NHCC objects or purposes.

The 1999 Financing and Agreements with the County

On September 29, 1999, NHCC issued its $259,734,845.44 aggregate principal amount Health System Revenue Bonds, Series 1999 (Nassau County (NY) Guaranteed) (the "Series 1999 Bonds") to, among other things, (i) provide funds to finance the purchase by NHCC from the County of the hospital, nursing home, clinics and certain other health care programs of the County (collectively, the "Health

Facilities") pursuant to an Acquisition Agreement (the "Acquisition Agreement") between NHCC and the County and (ii) fund initial working capital for NHCC. Pursuant to the Acquisition Agreement and in accordance with the NHCC Act and Article 17, Section 7 of the State Constitution, the County agreed pursuant to a Guaranty (the "1999 County Guaranty") to guarantee the scheduled payment of principal of, sinking fund installments and interest on the Series 1999 Bonds. Pursuant to the 1999 County Guaranty the County pledged its faith and credit to payments made under such guaranty in the same manner as it does with general obligation debt of the County. Additionally, the County agreed pursuant to the Acquisition Agreement to make certain payments to NHCC ("Historical Mission Payments" and "Article 6 Payments"), not subject to annual appropriation, for certain services provided by NHCC under the Acquisition Agreement. In 2004, NHCC issued bonds and used a portion of the proceeds of such bonds, together with other available funds (including the release of reserve funds), to refund the outstanding Series 1999 Bonds. At that time the County ceased to be obligated under the 1999 County Guaranty. See "2004 Refunding" in this section.

Despite the initial cash furnished by the Series 1999 Bonds, NHCC did not make all of the changes in its operations necessary to stabilize its finances. From September of 1999 through June of 2004, NHCC's net assets fell $105.2 million from a positive balance of $52.6 million to a negative balance of approximately the same amount. At the same time, NHCC's cash and cash equivalents dropped from $139.2 million as of December 31, 1999 to $16.6 million by June 30, 2004.

In September of 2003, the Office of the State Comptroller ("OSC") released a Report of Examination on the Nassau Health Care Corporation Multi-Year Financial Plan, Period Covered: January 1, 2003 – December 31, 2006. In its report, OSC stated that NHCC's May 1, 2003 multi-year financial plan did not include detailed explanations for certain assumptions used to compute the projected net income or loss for the four years covered by the plan and there was no explanation of the gap-closing initiatives, which total $70.5 million over three years. Further, OSC concluded that many of these initiatives were still in the planning stages and had not been implemented and that other initiatives needed approvals from various outside parties and may also have been dependent on factors beyond NHCC's control. OSC therefore questioned whether all of these initiatives could be achieved and whether they would be sufficient to eliminate NHCC's projected deficits. OSC estimated, after revising NHCC's projections for various questionable initiatives, that NHCC could have operating deficits as high as $12.5 million in 2004, $19.4 million in 2005 and $27.5 million in 2006. If NHCC accumulated losses at this rate, OSC projected that NHCC would run out of cash in late 2004 or early 2005 and the County could be required to take over payment of NHCC's Series 1999 Bonds.

In recognition of the need for change at NHCC, in 2003, the County engaged Manatt, Phelps & Phillips LLP ("Manatt") to perform a comprehensive analysis of NHCC and its three operating enterprises: the hospital, the nursing home, and the clinics. The Report focused on: (i) the actual health needs of the residents of the County who use the NHCC facilities; (ii) the appropriate health care model to serve these needs; and (iii) how to create such a health care delivery model within the County's fiscal constraints. The resulting report, entitled "A Study of the Role of Nassau Health Care Corporation in the Delivery of Health Care to Residents of Nassau County" dated January 27, 2004 (the "Manatt Report" or "Report"), contains a number of findings regarding the deteriorating financial position of NHCC and recommendations to address such findings.

The County summarized the Manatt Report's recommendations for the reform of NHCC in the following five-point plan:

1. Operational improvements designed to reduce costs, right-size staffing consistent with industry standards, introduce affiliation agreements with neighboring hospitals and improve the NHCC's revenue collection;

2. Program initiatives and rate appeals submitted to the State Department of Health as part of a comprehensive relief package;

3. Relocating the nursing home to the NUMC campus; disposition of the Uniondale Property (as defined below), the sale of the licenses for 300 excess beds at the nursing home and the use of sale proceeds from the disposition of the Uniondale Property to reduce outstanding NHCC debt;

4. Refunding the Series 1999 Bonds; and

5. A stabilization agreement between the County and NHCC intended to provide NHCC with cash flow relief through the end of 2005, resolve disputed charges, override certain unworkable language in existing agreements between the County and NHCC and establish the principles to govern more comprehensive successor agreements.

A copy of the Manatt Report is available from the County at the Office of the Deputy County Executive for Management, Budget and Finance, 1 West Street, Mineola, NY 11501 during normal business hours.

As recommended by the Manatt Report, the County and NHCC executed in September 2004 an amendment to the Acquisition Agreement (the "Stabilization Agreement") that resolves certain of the historical disputes between the parties, provides a period of stability while NHCC implements the Report's recommendations and places the relationship between the parties on a more reasonable and workable basis.

In the Stabilization Agreement, the County and NHCC agreed that the Acquisition Agreement requires extensive clarification and revision in order to more clearly define a workable, fair and reasonable relationship between the County and NHCC, and that the balance of the terms and conditions of the Acquisition Agreement, to the extent not specifically modified or superseded by the Stabilization Agreement, shall be the subject of good faith negotiations between the parties to develop new agreements governing services provided by NHCC and payments and subsidies provided by the County. As amended, the key terms of the Stabilization Agreement include:

• Substituting appropriate terms for services and subsidies paid for by the County and establishing reasonable cost as the basis for County subsidies and payments for services provided by NHCC.

• Eliminating historical disputes between NHCC and the County concerning each party's obligation with respect to the cost of NHCC employee longevity pay and early retirement programs. The County accepted responsibility for pre-2004 obligations and NHCC accepted full responsibility for these items as of January 1, 2004. Other disputes are also resolved, including those relating to collection fees, checks in transit, indirect utilities and rent at the County's correctional center.

• Resolving disputes concerning NHCC's bills for services provided to prisoners at the County's correctional facility, subject to reconciliation of a few remaining items, both retrospectively and prospectively. The County is permitted to end the use of NHCC for all or a portion of inmate health care services, but agrees to continue to pay that portion of the inmate care charge that amounts to a subsidy of NHCC operations through December 31, 2005.

• Providing NHCC with stable cash flow through 2005. As such, the County agreed to make Historical Mission Payments and Article 6 Payments monthly in advance. In addition the County agreed to pay quarterly in advance for services provided by NHCC to the County, subject to reconciliation. Under the Stabilization Agreement, the County will continue to provide Historical Mission Payments of

$13 million and Article 6 Payments of $5 million. Beginning with 2006, the amount of both Historical Mission Payments and Article 6 Payments became subject to re-negotiation for subsequent years, based on the principles adopted in the Stabilization Agreement that subsidies shall be targeted to specific programs and computed based on the reasonable cost of providing each program, net of receipts from other sources, including without limitation, patients, third party payors, programs that provide reimbursement for bad debt and charity care, inter-governmental transfers, grants and other funding designated for specific programs.

• Refunding the Series 1999 Bonds and having the County provide a guaranty on any bonds issued to refund the Series 1999 Bonds. NHCC may only spend the proceeds of such refunding bonds with the written consent of the County Executive. County payments to NHCC required under the Stabilization Agreement will be made directly to the trustee for the Series 1999 Bonds or the trustee for any said refunding bonds (including the Series 2004 Bonds, as defined herein) up to the amount required for debt service and other related payments. See "2004 Refunding" in this section. The County agreed to provide NHCC up to $500,000 in 2005 toward the cost of implementing the Manatt Report's recommendations, and agreed to include in its 2005 capital budget approximately $5 million to address life safety and capital items, subject to County approval. Furthermore, the parties agreed to work together to include an additional $15 million for NHCC capital projects (at the time of any refunding of the Series 1999 Bonds) to be identified, subject to County approval, and, to the extent required, State Department of Health ("NYSDOH") approval.

• Deleting all provisions in the Acquisition Agreement purporting to vest in an arbitrator the power to determine any issue or dispute between the parties.

• Agreeing that, in conjunction with the replacement of AHP on the East Meadow (NUMC) Campus, NHCC will sell the real estate in Uniondale, New York (the "Uniondale Property") on which AHP is currently located, and that it will sell its excess nursing home bed capacity (subject to regulatory approval). NHCC agreed that proceeds from the sale of the Uniondale Property will be used to retire the Series 1999 Bonds or the Series 2004 Bonds. Proceeds from the sale of excess nursing home bed capacity may only be disbursed with the written consent of the County Executive. [Discussions regarding the sale of excess beds, and potentially, surrender of those beds, are continuing with NYSDOH.]

• NHCC will use the County's real estate broker in a sale of the Uniondale Property to take advantage of the favorable terms of the County's contract with such broker, and will use Manatt in seeking regulatory approval for the sale of excess nursing home bed capacity.

The Acquisition Agreement remains in effect to the extent that it is not modified by the Stabilization Agreement. Under the Acquisition Agreement the County is responsible for claims relating to the Health Facilities incurred prior to September 29, 1999. See "LITIGATION" herein. In addition, the County and NHCC have entered into certain leases for space at the Health Facilities. The Stabilization Agreement contemplates that beginning on January 1, 2006, rent payable by the County to NHCC will be computed pursuant to successor agreements between the parties.

The Stabilization Agreement has been amended in 2006 to enable the continuation of payments and advances through 2006.

The County and NHCC are negotiating a successor agreement or successor agreements to supplement or replace existing agreements between the parties. The Stabilization Agreement establishes the principle of reasonable cost as the basis for County subsidies and payments for services provided by NHCC for all future agreements between the County and NHCC.

A copy of the Stabilization Agreement, as amended, is available from the County at the Office of the Deputy County Executive for Management, Budget and Finance, One West Street, Mineola, NY 11501 during normal business hours.

The County and NHCC have also executed a regulatory agreement (the "Regulatory Agreement") in connection with the issuance of the Series 2004 Bonds, concerning the operation of the Health Facilities, as required by the NHCC Act.

The Regulatory Agreement includes pledges by NHCC to grant the County liens on its real and personal property to secure NHCC's obligation to repay to the County funds the County pays directly to the bond trustee under the guaranty of the Series 2004 Bonds. See "2004 Refunding" in this section. The Regulatory Agreement includes NHCC's pledge to implement operational improvements as recommended by the Manatt Report to achieve financial stability by January 1, 2006 and provides that NHCC will report to the County and NIFA in the event of a loss from operations greater than 1% of total operating revenues or an adverse variance exceeding 3% of NHCC's budget for total operating revenues or total operating expenses ("financial contingencies"). In the event of financial contingencies, the County may require that NHCC provide a detailed business plan, updated yearly, to achieve fiscal balance and the County may require that NHCC engage a consultant to develop a business plan which would be provided to and monitored by the County and NIFA.

The Regulatory Agreement also provides that the NHCC board of directors will establish by-laws and policies concerning attendance at meetings, disclosure and avoidance of conflicts of interest, and which conform to the Joint Commission on Accreditation of Healthcare Organizations standards and requirements of the State Public Authorities Law and Public Health Law.

2004 Refunding

On October 14, 2004, NHCC issued $303,355,000 of its Nassau Health Care Corporation Bonds, Series 2004 (Nassau County Guaranteed) (the "Series 2004 Bonds") and used a portion of the proceeds of such bonds, together with other available funds (including the release of reserve funds), to refund the Series 1999 Bonds. At that time, the County ceased to be obligated under the 1999 County Guaranty. See "The 1999 Financing and Agreements with the County" in this section.

There were three components to the Series 2004 Bonds: approximately $18.3 million in tax-exempt fixed-rate bonds; approximately $65.5 million in taxable auction rate bonds; and approximately $219.6 million in synthetic fixed-rate debt, in which tax-exempt variable-rate bonds were hedged with a percentage of LIBOR swap. NHCC will use $15 million of the fixed-rate component of the Series 2004 Bonds to finance new capital projects. Pursuant to the Stabilization Agreement and in accordance with the NHCC Act and Article 17, Section 7 of the State Constitution, the County agreed pursuant to a Guaranty (the "2004 County Guaranty") to guarantee the scheduled payment of principal and interest on the Series 2004 Bonds. Pursuant to the 2004 County Guaranty, the County pledged its full faith and credit to payments made under such guaranty in the same manner as it does with general obligation debt of the County. Pursuant to the 2004 County Guaranty, the County is required to make payments directly to the trustee for the Series 2004 Bonds up to the amount required for debt service and other related payments. In accordance with the Stabilization Agreement, in effect the County receives a credit for such debt service and related payments against amounts that it would otherwise be obligated to make to NHCC under the Acquisition Agreement or Stabilization Agreement.

The 2004 County Guaranty eliminated the need for a debt service reserve fund, an operating reserve fund, and the County's replenishment requirement. The funds released from the debt service reserve fund and the operating reserve fund were used in the refunding escrow, lowering the refunding par needed to legally defease the Series 1999 Bonds by approximately $26 million. This, in turn, allowed NHCC to issue taxable auction rate debt in roughly the same amount in order to make its 2005 pension payment. The additional taxable auction rate debt was issued in anticipation of a possible sale to a private developer of the Uniondale Property. NHCC expects to use the proceeds from such sale, estimated to range from $30 million to $70 million, to retire this debt, which is structured to provide recurring annual cash flow benefit to NHCC.

The approximately $219.6 million of synthetic fixed rate bonds took advantage of NHCC's ability to enter into three separate interest rate exchange agreements to hedge its floating rate debt exposure. Subsequent to the issuance of the Series 2004 Bonds, NHCC executed a callable floating-to-fixed interest rate swap on the $65.5 million of taxable auction rate debt, creating a low-cost synthetic fixed-rate structure to hedge against the possibility of rising interest rates in the period before the potential sale of the Uniondale Property. On November 28, 2005, S&P assigned these NHCC swaps a Debt Derivative Profile (DDP) score of "2" on a scale of "1" to "5", with "1" representing the lowest risk and "5" being the highest.

LIBOR-based interest rate swaps carry certain risks See "COUNTY INDEBTEDNESS AND DEBT LIMITATIONS – Debt Service Requirements" and "COUNTY FINANCIAL MANAGEMENT – Swap Policy" herein. The Stabilization Agreement permits the County to offset any net increases in payments to swap counterparties against any payments it makes to NHCC. Accordingly, NHCC bears the exposure for swaps that do not perform as expected and benefits in the event the swaps out-perform expectations. The County and NHCC took steps in the Series 2004 Bonds to mitigate these risks, which the County and NHCC monitor regularly.

NHCC's Financial Condition

NHCC reported a deficit balance of net assets of $12.2 million for its activities during the 2005 fiscal year. In total, NHCC reported a deficit balance of net assets of $65.0 million as of December 31, 2004 and a deficit balance of $77.2 million as of December 31, 2005. Approximately $0.9 million of the 2005 reduction in net assets represented non-cash accounting losses generated by an unfavorable marked-to-market valuation of its interest rate swaps, the amortized loss associated with the Series 2004 Bonds, and the cumulative effect of a change in an accounting principle. The remaining reduction in net assets, approximately $11.3 million, was consistent with NHCC's loss projections throughout the year. NHCC's unrestricted cash and cash equivalents dropped from approximately $30 million as of December 31, 2004 to $13 million as of December 31, 2005, which is consistent with the operating loss and other cash timing issues.

NHCC's board of directors adopted a 2007 budget that anticipates a consolidated baseline net loss of $6.5 million before revenue and expense initiatives and an $185,000 surplus after the successful implementation of gap closing initiatives. The projected baseline net loss of $6.5 million would be the lowest in NHCC history, following a $32 million baseline net loss for 2006.

NHCC's unaudited monthly financial statements for September 2006 indicate that NHCC is on track with its 2006 budget and has a net operating loss of $1.9 million before other operating items. However, new programs scheduled to come on line during the fourth quarter are expected to be delayed until 2007. With these delays, NHCC is expected to post a net loss of $5.7 million before other operating items.

On July 24, 2006, NHCC management presented to the NHCC board of directors a Preliminary Updated Strategic Plan which outlines initiatives to improve NHCC's long-term fiscal viability. Also during 2006, NHCC received:

- nearly full restoration of State budget cuts, plus addition of enhance Emergency Department reimbursement and above-Upper Payment Limit grant for public nursing homes;
- 100% of supplemental Medicaid IGT payments; and
- NYSDOH approval of NHCC's appeal for hospital-based status for AHP.

In October 2006, NHCC's board of directors approved a $240 million modernization program to improve NHCC's physical plant, consolidate its real estate, enhance its clinical equipment, make improvements to its information technology and efficiently reconfigure operations. The program is expected to be funded as follows: (1) $15 million annually from its capital budget for a total of $60 million over four years; (2) $15 million from the Series 2004 Bonds; (3) $85 million in new financing for the replacement of AHP, which will be mostly reimbursed by the State Medicaid program; and (4) $80 million from the 2006 Tobacco Bonds (as defined in "TOBACCO LITIGATION SETTLEMENT PAYMENTS SECURITIZATION" herein), subject to requisite County approvals.

The County believes that NHCC's management is committed to a balanced budget for the 2007 fiscal year. The County will continue its monitoring of NHCC's expenditures, revenues and the implementation of its strategic plan initiatives and modernization program.

SEWER AND STORM WATER RESOURCES SERVICES

Nassau County Sewer and Storm Water Finance Authority

The Nassau County Sewer and Storm Water Finance Authority (the "SSWFA") exercises its powers through a seven-member governing board appointed by the County Executive. No more than four SSWFA board members may be members of the same political party. The presiding officer and the minority leader of the County Legislature each nominate two of the appointees, and the County Comptroller nominates one of the appointees. Vote by a supermajority of the SSWFA board is required to approve all borrowing and to approve contracts for more than $50,000.

The SSWFA is not authorized to hire employees. Also, by its terms, the SSWFA enabling legislation is not intended to alter or modify the County's responsibility to provide sewerage services and storm water services. As a result, County employees continue to operate and maintain all County sewer and storm water resources facilities. In addition, the legislation prohibits the County from transferring to the SSWFA any real property upon which County sewer or storm water resources facilities are located. Therefore, any proposed sale of such land by the County to a third party will continue to require the approval of the County Legislature. Further, the SSWFA is a Covered Organization under the NIFA Act. See "MONITORING AND OVERSIGHT – External – *NIFA*" herein.

The SSWFA became operational in 2004 and entered into a financing and acquisition agreement with the County establishing the respective rights and obligations of the parties with respect to the terms of SSWFA financing, including the transfer of County sewer and storm water resources assets to the SSWFA as part of such financing. Pursuant to the County Charter, the County Legislature approved the financing and acquisition agreement in March 2004. The SSWFA began issuing debt in June 2004.

Nassau County Sewer and Storm Water Resources District

Upon the affirmative vote of the County Legislature in December 2003, the County's prior 27 sewage collection and three sewage disposal districts (the "Prior Districts") were abolished, dissolved and merged into the Nassau County Sewer and Storm Water Resources District (the "District"). At such time, all of the rights, privileges, duties, responsibilities and obligations of the Prior Districts became the rights, privileges, duties, responsibilities and obligations of the District. The County budget adopted for each fiscal year contains a separate section for the District and is thus subject to the approval of the County Legislature.

Upon dissolution of the Prior Districts, such districts' fund balance was transferred to the SSWFA for the limited purposes of supporting necessary capital investments, debt service, debt service-related expenses and reserve requirements in a manner consistent with the rate stabilization program contained in the legislation creating the District.

The County annually assesses, levies and collects from the several lots and parcels of land within the District, the expenses of the District, including the annual amount needed to pay the remaining principal of and interest on debt issued by the County, or by NIFA on the County's behalf, or both, that were charged to the Prior Districts, and any amounts needed to pay to the SSWFA the cost of any services, including but not limited to financing and refinancing, provided by the SSWFA to the District by agreement between the SSWFA and the County. Assessments levied pursuant to the provisions of the legislation are collected by each city and town receiver of taxes in the County, and maintained in a segregated account until distributed to the County or its designee as directed by the County. The County has directed each receiver of taxes to distribute such assessments to the SSWFA or its designee. The enabling legislation also establishes a framework for the transition to uniform assessments for recipients of sewer and storm water resources services in the County. Previously, the County had maintained separate budgets on behalf of each of the Prior Districts and levied separate assessments on behalf of each. Pursuant to the legislation the District is divided into zones of assessment that mirror the boundaries of the Prior Districts, except for certain areas that were not receiving sewerage services, which are now excluded. Through 2007, assessments for sewerage services may not exceed the 2003 level for their respective Prior Districts, and no separate assessment for storm water resources services will be assessed until after 2007. Between 2007 and the end of 2013, the legislation requires that the County transition to three zones of assessment: one zone of assessment for areas of the District receiving storm water resources services, one zone of assessment for areas of the District receiving sewage collection and disposal services, and one zone of assessment for areas of the District receiving sewage disposal, but not sewage collection, services.

TOBACCO LITIGATION SETTLEMENT PAYMENTS SECURITIZATION

On November 23, 1999, the Nassau County Tobacco Settlement Corporation ("Nassau CTSC"), a local development corporation organized under the Not-For-Profit Corporation Law of the State, issued its $294,500,000 of Tobacco Settlement Asset-Backed Bonds, Series A (the "1999 Tobacco Bonds") to finance its purchase pursuant to a Purchase and Sale Agreement (the "Sale Agreement") of all of the County's future right, title and interest under the master settlement agreement (the "MSA") entered into by participating cigarette manufacturers (the "PMs"), the State, forty-five other states, the District of Columbia, Puerto Rico, Guam, the United States Virgin Islands, American Samoa and the Northern Marianas Islands (the "Settling States") in November 1998 in settlement of certain smoking-related litigation, and the Consent Decree and Final Judgment entered in State Supreme Court for New York County (the "Consent Decree"), including the right to receive certain initial and annual payments (the "TSRs") to be made by the PMs under the MSA. The 1999 Tobacco Bonds were not a debt or liability of the County and were secured primarily by the TSRs to be received by Nassau CTSC by virtue of the Sale Agreement.

Pursuant to the Sale Agreement, the County received $247,500,000 from Nassau CTSC on November 23, 1999 (the "1999 Sale Proceeds"), as partial consideration of the sale of its interests under the MSA and the Consent Decree, the balance of such consideration being received in the form of a 100% beneficial interest in a residual trust (the "Residual Trust") in the TSRs that are not required to pay various expenses, debt service or required reserves for the 1999 Tobacco Bonds or subsequent Nassau CTSC bonds. Of the $247,500,000 of 1999 Sale Proceeds received by the County for the 1999 Tobacco Bonds, $77,500,000 was deposited by Nassau CTSC in an escrow account (the "1999 Escrow Account") held by Deutsche Bank Trust Company Americas, formerly Bankers Trust Company, as escrow agent (the "Escrow Agent"), pursuant to an escrow agreement between Nassau CTSC and the Escrow Agent, to be used to fund the County's obligation to make Historical Mission Payments and Article 6 Payments to NHCC pursuant to the Acquisition Agreement and to fund, in the amount of up to $250,000 per year, a program of education to discourage smoking and to pay such other expenses, capital expenditures or other County purposes as shall be approved by transaction counsel to the Nassau CTSC and Board of Nassau CTSC. Nassau CTSC subsequently transferred the balance (approximately $60,000,000) of the 1999 Escrow Account to the County as approved by transaction counsel, whereupon the County placed such balance in its tobacco settlement fund.

On April 5, 2006, Nassau CTSC issued $431,034,245.85 of its Tobacco Settlement Asset-Backed Bonds, Series 2006 (the "2006 Tobacco Bonds") a portion of the proceeds of which were used to defease the 1999 Tobacco Bonds and to generate $120.2 million in proceeds for the County from its beneficial interest in the Residual Trust. TSR's received by the County from April 5, 2006 through March 31, 2008 are not pledged to the holders of the 2006 Tobacco Bonds. The County is expected to appropriate such 2006 Tobacco Bond proceeds and unpledged TSRs to finance various capital projects or designated operating expenses of the County or NHCC. The 2006 Tobacco Bonds are not a debt or liability of the County and are secured primarily by the TSRs pledged to and to be received by Nassau CTSC.

LITIGATION

The County, its officers and employees are defendants in a number of lawsuits. Such litigation includes, but is not limited to, actions commenced and claims asserted against the County arising out of alleged torts, civil rights violations, breaches of contracts including union and employee disputes, condemnation proceedings, medical malpractice actions and other alleged violations of law. The County intends to defend itself vigorously against all claims and actions.

The County self-insures for all significant risks (everything except helicopter accidents and employee bonding). See "COUNTY GOVERNMENT AND FINANCIAL MANAGEMENT – County Financial Management – *Risk Management*" herein. The County annually appropriates sums for the payment of judgments and settlements relating to such actions, which appropriations may be financed, in whole or in part, (i) pursuant to the Local Finance Law by the issuance of County bonds or bond anticipation notes or (ii) by the issuance by NIFA of its bond anticipation notes or bonds, in its discretion at the request of the County. See "NASSAU COUNTY INTERIM FINANCE AUTHORITY" herein. An estimated liability of approximately $304.1 million for settlement of litigation and claims other than medical malpractice claims and tax certiorari claims has been recorded as a long-term liability in the County's government-wide financial statement of net assets at December 31, 2005. Approximately $9.9 million has been accrued as a long-term liability at December 31, 2005 related to malpractice claims where the County Attorney and NHCC management can reasonably estimate the ultimate outcome. (All malpractice occurrences prior to September 29, 1999 are the responsibility of the County; subsequent malpractice occurrences in connection with the Health Facilities are the responsibility of NHCC. See "NASSAU HEALTH CARE CORPORATION" herein.) Such amounts are only estimates, and no assurance can be given that additional claims will not be made or that the ultimate liability on existing and future claims will not be greater.

The amount expended for all claims and litigation, including tax certiorari (see "Property Tax Litigation" within this section), in the fiscal years 2001 to 2005, inclusive, is shown below:

2005	$278,007,000
2004	201,479,000
2003	147,494,000
2002	128,333,000
2001	176,230,000

SOURCE: Comprehensive Annual Financial Report of the County Comptroller for the fiscal years ended December 31, 2005 and 2004.

Of the amounts expended for suits and damages for the fiscal years 2001 to 2005, inclusive, as shown above, the following amounts were expended from operating revenues and not from proceeds of obligations of the County or NIFA:

2005	$17,800,000
2004	2,816,000
2003	4,863,000
2002	2,788,000
2001	757,000

SOURCE: Comprehensive Annual Financial Report of the County Comptroller for the fiscal year ended December 31, 2005 and 2004.

The County is a party to numerous claims and legal actions for refunds of real property taxes asserted by taxpayers seeking redetermination of their assessed valuations. See "Property Tax Litigation – Challenges to Assessed Valuations" within this section.

Property Tax Litigation

Challenges to Assessed Valuations

The County is a party to numerous claims and legal actions for refunds of real property taxes asserted by taxpayers seeking redetermination of assessed valuations. Challenges to commercial property assessments currently account for approximately one-half of the County's property tax refund expenses. The County intends to defend itself vigorously against all claims and actions.

The amount expended for all property tax reduction claims (see "REAL PROPERTY TAX ASSESSMENT AND COLLECTION – Real Property Assessment – *Tax Levy Guarantee*" herein) in each of the fiscal years 2001 to 2005, inclusive, is shown below:

2005	$250,733,855
2004	183,959,751
2003	112,491,138
2002	97,028,440
2001	150,233,257

All of such amounts were financed through the County's issuance of bond anticipation notes and bonds under the provisions of the Local Finance Law or through NIFA's issuance of its bonds and notes on behalf of the County. As of December 31, 2005, on its own or through NIFA, the County had approximately $1.6 billion in outstanding long-term obligations that were issued to finance such payments. See "COUNTY INDEBTEDNESS AND DEBT LIMITATIONS" and "NASSAU COUNTY INTERIM FINANCE AUTHORITY" herein.

The County Comptroller recorded $131.0 million as a long-term liability in the government-wide financial statement of net assets at December 31, 2005 for estimated future property tax settlements and judgments. In 2004 and 2005 the County accelerated its payments of tax refunds and cancellations to resolve or reduce liability in pending cases. In 2005, it paid $250.7 million, which was 50% greater than the 1995-2002 average. As of September 30, 2006, the County has paid $36,196,515 for refunds and cancellations. Additional cancellations approximately equal to $5,521,485 in cancellations were in process during September 2006. See "REAL PROPERTY TAX ASSESSMENT AND COLLECTION" herein. The County projects that the reduction of liability for past assessment errors and improved assessment accuracy on current rolls will lead to reduced annual obligations for refunds and cancellations, estimated as follows:

2006	$57 million
2007	55 million
2008	50 million
2009 ………….	50 million

Such amounts are only estimates, and no assurance can be given that additional claims will not be made or that the ultimate liability on existing and future claims will not be greater. Furthermore, these estimates do not include litigation relating to real estate taxation other than challenges to property assessed valuations. For a discussion of such other litigation, see "Other Pending Property Tax Litigation" within this section.

The County has requested that NIFA authorize and issue bonds and notes in anticipation thereof from time to time to finance payments in connection with tax certiorari proceedings. In 2006, the County began paying substantially all property tax refunds from operating funds, and not through the issuance of debt, in accordance with the NIFA Act. To assist the County in this transition, the NIFA Act requires NIFA, at the request of the County, to borrow up to $15 million on the County's behalf in 2006, and up to $10 million in 2007, to finance property tax refunds, subject, however, to the $400 million aggregate limit in the NIFA Act on NIFA debt issued to finance tax certiorari proceedings commenced on or after June 1, 2000. See "COUNTY FINANCIAL CONDITION" and "NASSAU COUNTY INTERIM FINANCE AUTHORITY" herein.

For a discussion of the County's administrative review of assessments, see "REAL PROPERTY TAX ASSESSMENT AND COLLECTION – Real Property Assessment - *Administrative Review of Assessments*" herein.

Other Pending Property Tax Litigation

(i) New York Telephone Company, New York Water Service Corporation, Long Island Water Corporation and Keyspan (the "Utilities") have each filed actions and proceedings in the State Supreme Court, Nassau County, challenging the determination of their taxes in 1997, 1998, 1999, and 2000 in the non-County-wide special districts such as police, fire, water and library districts. The Utilities allege that the County erroneously placed all parcels in classes pursuant to the RPTL in calculating their assessed values for payment of special district taxes. The Supreme Court, Nassau County declared that the assessments violated the RPTL and constitutional requirements of equal protection. The court directed that discovery be conducted and a trial held to determine the amount of tax refunds, if any, to be awarded the Utilities. The Appellate Division, Second Department, in 2002 determined that the County had violated the RPTL but granted the County summary judgment dismissing the complaints on the grounds that no refunds should be awarded because of the fiscal impact on the special districts. In 2004 the Court of Appeals remitted the case to the Supreme Court for a trial on both the amount of refunds due and on whether those damages would have such an adverse impact on the County that no refunds should be ordered. The County moved for partial summary judgment on the methodology for calculating the refunds and the trial Court decided the motion against the County. The County is preparing for the trial, which may occur in the spring of 2007. The Supreme Court has also ruled that any refunds due would be the responsibility of the County, rather than the special districts. The County intends to continue to defend itself vigorously in these actions and proceedings. It is not possible to predict the outcome of these actions and proceedings or their ultimate impact on the County's financial condition. The County cannot state with certainty the amount of a refund if the court were to order one, but has estimated, depending on the methodology of calculation, that such refund could range as high as $200 million.

If a refund should be ordered and if the County borrows to pay the refund, and if NIFA determines that the refund is a "tax certiorari judgment or settlement" within the meaning of the NIFA Act, the refund could trigger those provisions of the NIFA Act that provide that borrowing for "tax certiorari judgments or settlements" may not be considered County operating revenues after 2005, other than for certain limited amounts in 2006 and 2007 (section 3667). In that case, and if the borrowing caused a deficit of one percent or more in the aggregate results of the County's major operating funds, NIFA could impose a control period pursuant to section 3669 of the NIFA Act. See "MONITORING AND OVERSIGHT – External – *NIFA*" and "NASSAU COUNTY INTERIM FINANCE AUTHORITY" herein.

(ii) On February 9, 2000, in an action entitled *Godwin, et al. v. O'Shea et al.,* Supreme Court, Nassau County, Index No. 00-002104, plaintiffs sued on their own behalf and on behalf of all other similarly situated plaintiffs seeking a refund of real property taxes on the ground that the taxes were assessed in an improper and discriminatory fashion in violation of various State and federal statutes. The complaint is styled as a class action although no class has been certified. Defendants have moved to dismiss the complaint. The motion has not been decided, but the case was reassigned to another judge who requested that renewed motion papers be submitted, which the parties have done. The County intends to continue to defend itself vigorously in this proceeding.

(iii) On October 5, 2006, the Appellate Division, Second Department, reversed an order of the Supreme Court, County of Nassau, in *Board of Education of Glen Cove School District, et al. v. County of Nassau*, that would have barred the County from taxing Glen Cove School District taxpayers to pay for school tax refunds to other school districts. On November 8, 2006, plaintiffs moved for leave to appeal to the State Court of Appeals. The County intends to continue to defend itself vigorously in this proceeding.

(iv) On May 30, 2006, the Appellate Division, Second Department issued an order in *Briffel v. County of Nassau* affirming the dismissal of various lawsuits that have been brought against the County in connection with the revaluation of the County assessment roll completed in December 2002. The plaintiffs in these cases generally contend that the County has failed to apply a limitation on annual increases in assessment pursuant to Article 18 of the RPTL. They allege that the statutory intent of Article 18 has been circumvented by the County's application of a 1% level of assessment. Plaintiffs have an automatic appeal to the State Court of Appeals, which is scheduled to hear the case on January 11, 2007. The County intends to continue to defend these lawsuits vigorously. See "REAL PROPERTY TAX ASSESSMENT AND COLLECTION - Revaluation of the Assessment Roll" herein.

Other Litigation

With the exception of the litigation discussed above, based on historical precedent, no litigation is pending by or against the County which will be finally determined so as to result individually or in the aggregate in final judgments against the County which would materially adversely affect the financial condition of the County.

OTHER INFORMATION

The County is authorized to spend money for the objects or purposes for which the Notes are to be issued by the General Municipal Law, the County Law, the County Charter, the County Administrative Code or other applicable State law.

The County has no past due principal or interest on any of its indebtedness.

This Official Statement does not include either the debt or the tax collection record of the several cities, towns, villages, school districts or other municipal corporations or public corporations within the County, except as hereinbefore set forth.

COVENANT TO MAKE CONTINUING DISCLOSURE

At the time of the issuance and delivery of the Notes, the County will make a covenant for the benefit of the Beneficial Owners (as hereinabove defined) of the Notes to provide notices of the occurrence of certain events, as enumerated below, if material. The notices of material events will be provided by the County to the Municipal Securities Rulemaking Board (the "MSRB"). In the event that a State Information Depository (the "NYSID") shall at any time hereafter be established by the State, each Annual Report and notice of material event will thereafter also be provided by the County to the NYSID. This covenant is being made in order to assist the underwriters of the Notes to comply with Rule 15c2-12(b)(5) of the Securities and Exchange Commission (the "Rule").

Notices of Material Events - If applicable, and if material, notices of the occurrence of any of the following events shall be given in a timely manner:

(1) Principal and interest payment delinquencies.

(2) Non-payment related defaults. It should be noted, however, that neither the Notes, the proceedings of the County authorizing the Notes, the Local Finance Law, nor any other law, makes any provision for non-payment related defaults on the Notes, or other general obligations issued by the County.

(3) Unscheduled draws on debt service reserves reflecting financial difficulties. It should be noted, however, that the County is not legally authorized to establish, nor has it established, a debt service reserve securing the Notes.

(4) Unscheduled draws on credit enhancements reflecting financial difficulties.

(5) Substitution of credit or liquidity providers, or their failure to perform.

(6) Adverse tax opinions or events affecting the tax-exempt status of the Notes.

(7) Modifications to rights of holders of the Notes.

(8) Optional or other unscheduled calls for redemption of the Notes.

(9) Defeasances. It should be noted, however, that neither the Notes, the proceedings of the County authorizing the Notes, the Local Finance Law, nor any other law, makes any provision for the legal defeasance of the Notes.

(10) Release, substitution or sale of property securing repayment of the Notes. It should be noted, however, that the Notes are general obligations of the County and are not secured by any collateral, but rather are entitled to the pledge of the faith and credit of the County.

(11) Rating changes.

The sole remedy of a Beneficial Owner of the Notes under this covenant will be to bring an action to compel specific performance in a court in the State having appropriate jurisdiction. A default by the County of its obligations under the covenant shall not be deemed a default on the Notes.

The County may amend its obligations under the provisions of the covenant without the consent of any holder of the Notes or Beneficial Owner of the Notes provided that the County shall first obtain an opinion of nationally recognized bond counsel to the effect that the proposed amendment would not in and of itself cause the covenant to violate the requirements of the Rule if such amendment had been effective at the time of issuance of the Notes, but taking into account any subsequent change in or official interpretation of the Rule.

The County has made covenants to provide annual financial information, audited financial statements and notices of material events for the benefit of the holders of its bonds and notes issued to the public since July 3, 1995, as well as for the benefit of the holders of certain bonds issued by EFC with respect to which, and to the extent, the County is an "obligated person" as defined in the Rule. During the period after the County issued bonds in May of 2000 until December of 2003 (at which time NIFA issued bonds and notes on behalf of the County), the County did not fully comply with its covenants to provide such continuing disclosure. Instead, the County relied on the more limited general and economic information disclosed regarding the County as set forth in the offering circulars or official statements prepared in connection with the issuance of NIFA obligations. The County has implemented, through the County Treasurer's Office and the County Attorney's Office, a process by which an annual financial information statement will be made available to the marketplace on a regular basis if subsequent disclosure documents prepared in connection with future County borrowings do not satisfy the Rule. The first annual information statement under such process was filed in July of 2004.

MARKET AND RISK FACTORS

The following description summarizes some of the risk factors associated with the Notes and does not purport to be complete. This Official Statement should be read in its entirety.

The financial condition of the County as well as the market for the Notes could be affected by a variety of factors, some of which are beyond the County's control. There can be no assurance that adverse events in the State and in other jurisdictions of the country, including, for example, the seeking by a municipality or large taxable property owner of remedies pursuant to the federal Bankruptcy Code or otherwise, will not occur which might affect the market price of and the market for the Notes. If a significant default or other financial crisis should occur in the affairs of the State or in other jurisdictions of the country or any of its agencies or political subdivisions thereby further impairing the acceptability of obligations issued by borrowers within the State, both the ability of the County to arrange for additional borrowings, and the market for and market value of outstanding debt obligations, including the Notes, could be adversely affected.

The County is dependent in part on financial assistance from the State. However, if the State should experience difficulty in borrowing funds in anticipation of the receipt of State taxes in order to pay State aid to municipalities and school districts in the State, including the County, in any year, the County may be affected by a delay, until sufficient taxes have been received by the State to make State aid payments to the County. In several recent years, the County has received delayed payments of State aid which resulted from the State's delay in adopting its budget and appropriating State aid to municipalities and school districts, and consequent delay in State borrowing to finance such appropriations. See "STATEMENT OF REVENUES AND EXPENDITURES – Revenues - *State and Federal Aid*" herein.

In addition, adverse events within the County could affect the market for the Notes. These include, but are not limited to, events which impact on the County's ability to reduce expenditures and raise revenues, economic trends, the willingness and ability of the State to provide aid and to enact various other legislation and the County's ability to market its securities in the public credit markets. It is anticipated that the various news media will report on events which occur in the County and that such media coverage, as well as such events, could have an impact on the market for, and the market price of, the Notes.

A major portion of the County's annual expenditures is utilized in the administration of various federal and State mandated aid programs including Medicaid, Temporary Assistance to Needy Families, and community services. Although a substantial portion of these expenditures (other than Medicaid) is reimbursed by the State and federal governments, typically at the rate of 75% of program costs, expenditures fluctuate in response to overall economic conditions and are difficult to predict. Given recent overall economic conditions, these expenditures are likely to increase.

From time to time, legislation is introduced on the federal and State levels, which, if enacted into law, could affect the County and its operations. The County is not able to represent whether such bills will be introduced in the future or become law.

LEGAL MATTERS

The legality of the authorization and issuance of the Notes will be covered by the final approving opinions of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, New York, New York. The proposed form of such opinion is set forth in APPENDIX B hereto. Certain legal matters will be passed upon for the County by its disclosure counsel, the Law Offices of Joseph C. Reid, P.A., New York, New York.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York). Bond Counsel is of the further opinion that interest on the Notes is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix B hereto.

Notes purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Notes") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of notes, like the Premium Notes, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Note, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Notes should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Notes. The County has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Notes will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Notes being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Notes. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Notes may adversely affect the value of, or the tax status of interest on, the Notes.

Certain requirements and procedures contained or referred to in the Tax Certificate and Agreement and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Notes) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion as to any Note or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of bond counsel other than Orrick, Herrington & Sutcliffe LLP.

Although Bond Counsel is of the opinion that interest on the Notes is excluded from gross income for federal income tax purposes and is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York), the ownership or disposition of, or the accrual or receipt of interest on, the Notes may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Future legislation, if enacted into law, or clarification of the Code may cause interest on the Notes to be subject, directly or indirectly, to federal income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislation or clarification of the Code may also affect the market price for, or marketability of, the Notes. Prospective purchasers of the Notes should consult their own tax advisers regarding any pending or proposed federal tax legislation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Notes for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the County, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The County has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Notes ends with the issuance of the Notes, and, unless separately engaged, Bond Counsel is not obligated to defend the County or the Beneficial Owners regarding the tax-exempt status of the Notes in the event of an audit examination by the IRS. Under current procedures, parties other than the County and its appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt obligations is difficult, obtaining an independent review of IRS positions with which the County legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Notes for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Notes, and may cause the County or the Beneficial Owners to incur significant expense.

NOTE RATINGS

Moody's Investors Service ("Moody's"), Standard & Poor's Ratings Services ("S&P") and Fitch Ratings ("Fitch") have assigned ratings of MIG 1, SP-1+ and F1+, respectively, to the Notes.

In addition, Moody's, S&P and Fitch have each assigned their municipal bond ratings of "A3", "A", and "A+", respectively to the outstanding uninsured long-term indebtedness of the County (not including debt issued on behalf of the County by NIFA). These ratings do <u>not</u> apply to the Notes.

Such ratings reflect only the views of such organizations and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following addresses: Moody's Investors Service, Inc., 99 Church Street, New York, New York 10007; Standard & Poor's Rating Services, 55 Water Street, New York, New York 10041; Fitch, Inc., One State Street Plaza, New York, New York 10004. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that any of such ratings will be retained for any given period of time or that the same will not be revised downward or withdrawn entirely by the rating agency furnishing the same if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of any of such ratings may have an adverse effect on the market price or the availability of a secondary market for the Notes.

FINANCIAL ADVISOR

The County has retained Public Financial Management, Inc. of New York, New York, as Financial Advisor in connection with the issuance and sale of its obligations, including the Notes. Although Public Financial Management, Inc. has assisted in the preparation of the Official Statement, Public Financial Management, Inc. is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in the Official Statement. Public Financial Management, Inc. is an independent advisory firm and is not engaged in the business of underwriting, trading, or distributing municipal securities or other public securities.

MISCELLANEOUS

Statements in this Official Statement, and the documents included by specific reference, that are not historical facts are forward-looking statements, which are based on the County management's beliefs, as well as assumptions made by, and information currently available to, the County's management and staff. Because the statements are based on expectations about future events and economic performance and are not statements of fact, actual results may differ materially from those projected. Important factors that could cause future results to differ include legislative and regulatory changes, changes in the economy, and other factors discussed in this and other documents that the County files with the repositories. When used in County documents or oral presentations, the words “anticipate,” “estimate,” “expect,” “objective,” “projection,” “forecast,” “goal,” or similar words are intended to identify forward-looking statements.

To the extent that any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated, such matters of opinion and estimates are set forth as such and not as representations of fact. Neither this Official Statement nor any statement which may have been made verbally or in writing in connection therewith is to be construed as a contract with the holders of the Notes.

Orrick, Herrington & Sutcliffe LLP, New York, New York, Bond Counsel, and Law Offices of Joseph C. Reid, P.A., New York, New York, Disclosure Counsel, respectively, to the County, express no opinions as to the accuracy or completeness of information in any documents prepared by or on behalf of the County for use in connection with the offer and sale of the Notes, including but not limited to, the financial or statistical information in this Official Statement.

References herein to the Constitution of the State and various State and federal laws are only brief outlines of certain provisions thereof and do not purport to summarize or describe all of such provisions.

Concurrently with the delivery of the Notes, the County will furnish a certificate to the effect that as of the date of the Official Statement, the Official Statement did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, subject to the condition that while information in the Official Statement obtained from sources other than the County is not guaranteed as to accuracy, completeness or fairness, the County has no reason to believe and does not believe that such information is materially inaccurate or misleading, and to the knowledge of the County, since the date of the Official Statement, there have been no material transactions not in the ordinary course of affairs entered into by the County and no material adverse changes in the general affairs of the County or in its financial condition as shown in the Official Statement other than as disclosed in or contemplated by the Official Statement. Certain information contained in the Official Statement has been obtained from sources other than the County. All quotations from and summaries and explanations of provisions of laws herein do not purport to be complete and reference is made to such laws for full and complete statements of their provisions.

Periodic public reports relating to the financial condition of the County, its operations and the balances, receipts and disbursements of the various funds of the County are prepared by the various departments of the County, and in certain instances examined by independent certified public accountants. In addition, the County regularly receives reports from consultants, commissions, and special task forces relating to various aspects of the County’s financial affairs, including capital projects, County services, taxation, revenue estimates, pensions, and other matters.

Information pertaining to the Official Statement may be obtained upon request from the Office of the County Treasurer, County Office Building, 240 Old Country Road, Mineola, New York 11501, telephone (516) 571-2090.

The Official Statement is submitted only in connection with the sale of the Notes by the County and may not be reproduced or used in whole or in part for any other purpose.

The execution of this Official Statement and its delivery have been duly authorized by the County Treasurer on behalf of the County.

COUNTY OF NASSAU, NEW YORK

By: /s/ Steven D. Conkling
County Treasurer

November __, 2006

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APPENDIX A
GENERAL PURPOSE
AUDITED FINANCIAL STATEMENTS FOR FISCAL YEARS ENDED DECEMBER 31, 2005 AND 2004

The financial statements of the County as of and for the years ended December 31, 2005 and 2004, included in Appendix A, have been audited by Deloitte & Touche LLP, independent auditors, as stated in their report appearing therein (which report expresses an unqualified opinion).

Deloitte

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INDEPENDENT AUDITORS' REPORT

Honorable Thomas R. Suozzi, County Executive
and Members of the County Legislature
County of Nassau, New York

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Nassau, New York, (the "County"), as of December 31, 2005 and 2004, (with the Nassau Community College for the years ended August 31, 2005 and 2004), which collectively comprise the County's basic financial statements as listed in the table of contents. We also have audited the financial statements of the County's nonmajor governmental and fiduciary funds presented as supplementary information in the accompanying combining and individual fund financial statements as of December 31, 2005 and 2004 and for the years then ended as listed in the table of contents. These financial statements are the responsibility of the County of Nassau's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Nassau Regional Off-Track Betting Corporation, the Nassau County Industrial Development Agency, and the Nassau Health Care Corporation, all discretely presented component units, which as combined represent 10 and 9 percent and 16 and 15 percent, respectively, of the assets and revenues of the County for each of the years ended December 31, 2005 and 2004. We did not audit the 2004 financial statements of the Nassau County Sewer and Storm Water Finance Authority, a blended component unit, which represents 25 percent and 2 percent, respectively, of the assets and revenues of the County for the year ended December 31, 2004. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for such entities is based solely on the reports of the other auditors. The report of the independent auditor for Nassau Health Care Corporation contained an explanatory paragraph concerning its ability to continue as a going concern (see Note 16).

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of County's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of other auditors provide a reasonable basis for our opinions. The financial statements of the Nassau

Member of
Deloitte Touche Tohmatsu

Regional Off-Track Betting Corporation were not audited in accordance with *Government Auditing Standards*.

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Nassau, New York, as of December 31, 2005 and 2004, and the respective changes in financial position, where applicable, thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of nonmajor governmental and fiduciary funds of the County of Nassau, New York, as of December 31, 2005 and 2004, and the respective changes in financial position, where applicable, thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 15 through 29 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required 2005 supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Nassau's basic financial statements. The accompanying financial information listed as Other Supplementary Information, in the foregoing table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. This supplementary information is the responsibility of the County of Nassau's management. The accompanying financial information listed as Other Supplementary Information, in the foregoing table of contents, has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, based on our audit, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Introductory Section and Statistical Section, in the foregoing table of contents, has not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2006, on our consideration of the County of Nassau's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Deloitte & Touche LLP

June 27, 2006

MANAGEMENT DISCUSSION AND ANALYSIS

Nassau County's comprehensive annual financial report ("CAFR") complies with the requirements of Governmental Accounting Standards Board Statement No. 34 ("GASB 34"). This section of the report, required under GASB 34, presents management's discussion and analysis ("MD&A") of the county's financial activities and performance for the fiscal years ended December 31, 2005 and 2004. This section should be read in conjunction with the letter of transmittal and the county's financial statements.

FINANCIAL HIGHLIGHTS

- The county's negative net worth remained relatively stable during 2005, increasing by only $0.9 million. The county's deficit of $1.43 billion continues to be caused by its historical reliance on long-term working capital borrowing for the payment of property tax refunds, judgments, and settlements.

- The county generated a budgetary surplus of $78.5 million in its major operating funds in 2005. This surplus can be attributed to conservative budgeting, expense relief, one-time revenues, and progress in the implementation of key components of the multi-year financial plan.

- The county allocated $50 million of these surplus funds for the purpose of making refund payments to residential and commercial property taxpayers who successfully challenge their assessments. This represents the first step in the county's transition to utilizing pay-as-you-go financing (PAYGO) for all property tax refunds from operating funds instead of using borrowed proceeds. Another $24.8 million was deposited into the Retirement Contribution Fund for the purpose of offsetting future pension costs. The county also set aside $3 million to pay routine judgments and settlements.

- The county made significant progress during 2005 in addressing one of the greatest risks to its long-term financial recovery: reducing the backlog of unresolved property tax grievances. It reduced its outstanding liability from $400 million in 2001 to $131 million in 2005, well less than the $230 million target estimated by the County Comptroller to sustain the viability of an annual $50 million PAYGO appropriation. In addition, new liability was reduced 46% from $99 million in 2001 to $53 million in 2005.

- These financial statements are presented on a Generally Accepted Accounting Principles (GAAP) basis. In addition, certain statements present GAAP to budgetary basis conversion columns to present actual results on a budgetary basis. Unreserved fund balance in the county's primary operating funds remained at $90.5 million on a budgetary basis, and $78.1 million on GAAP basis, of which $88.5 million is in the

General Fund. Unreserved fund balance in the Sewer and Storm Water District Fund totals $52.1 million.

- Since February of 2003, the rating agencies have increased Nassau's credit rating a combined total of 11 times. In June 2005, Fitch Ratings awarded Nassau County a double-notch upgrade, increasing its rating from an A- to an A+. In November 2005 Standard and Poor's increased the rating from A- to A. Moody's Investor Services maintains its A3 rating.

ANALYSIS OF GOVERNMENT-WIDE FINANCIAL STATEMENTS FOR 2005

GASB 34 requires the inclusion of two types of financial statements in the CAFR: *government-wide financial statements* and *fund financial statements.*

Government-wide financial statements provide information about the county as a whole using the *economic resources measurement focus* and the *accrual basis of accounting.* The economic resources measurement focus looks at the transactions and events that have increased or decreased the total economic resources of the government as a whole during the accounting period being reported. The accrual basis of accounting requires revenues to be recognized as soon as they are earned, regardless of the timing of related inflows of cash, and it requires expenses to be recognized as soon as liabilities are incurred, regardless of the timing of related outflows of cash. These statements present a long-term view of the county's finances. There are two government-wide financial statements: the *statement of net assets* and the *statement of activities.*

The statement of net assets reports everything the county owns (its assets) and owes (its liabilities) as of the end of the year. Net assets are what remain after all liabilities have been paid off or otherwise satisfied; they signify the net worth of the government. This statement is designed to display assets and liabilities in order of their basic liquidity and maturity while presenting the basic accounting relationship applicable to public sector entities: *assets – liabilities = net assets.* This statement also presents all of the county's economic resources – that is, all of its assets and liabilities, both financial and capital. The statement of activities tracks the county's annual revenues and expenses as well as any other transactions that increase or reduce net assets. It divides the county's activities into three elements: its governmental activities, its business-type activities (if applicable), and the activities of its component units.

The Statement of Net Assets

The statement of net assets for the 2005 fiscal year shows that Nassau County has a deficit balance totaling $1.43 billion. Table 1 shows that the county's negative net worth remained relatively stable during 2005, increasing by only $0.9 million since 2004.

Table 1
Summary of Net Assets (Deficit)
(dollars in millions)

	Total Primary Governmental Activities		
	2005	**2004**	**Change**
Current and Other Assets	$ 1,253.4	$ 1,323.4	(70.0)
Capital Assets	2,313.0	2,322.1	(9.1)
Total Assets	3,566.4	3,645.5	(79.1)
Long-Term Liabilities	4,185.7	4,206.3	(20.6)
Other Liabilities	811.1	868.7	(57.6)
Total Liabilities	4,996.8	5,075.0	(78.2)
Net Assets			
Invested in Capital Assets, Net of Related Debt	1,429.7	1,554.7	(125.0)
Restricted	113.6	136.7	(23.1)
Unrestricted	(2,973.7)	(3,120.9)	147.2
Total Net Assets (Deficit)	$ (1,430.4)	$ (1,429.5)	$ (0.9)

The county's total assets declined by $79.1 million in 2005, from $3.65 billion to $3.57 billion. This decrease primarily resulted from the deferral of the pension contribution initially due in 2004, to 2005. The deferral was made possible by a pension relief initiative proposed by the State Comptroller and passed by the State Legislature. It had the one-time effect of increasing county cash balances at the end of 2004, which subsequently declined when the payment was made in 2005. The county also chose to pay the 2006 pension bill in 2005, which had no impact on total current assets, since cash decreased and prepaid retirement expense increased

Table 1 also shows that total liabilities declined in 2005 by $78.2 million. This was due in large part to the county's aggressive effort to reduce the outstanding property tax refund liability -- $250.7 million in tax certiorari payments were made in 2005 and total tax certiorari liability dropped by $179.5 million, from $310.5 million to $131 million. The liability for bonded indebtedness increased, resulting from the county and its blended component units issuing approximately $392.1 million in new debt, and paying off $211.6 million and refunding $132.2 million of existing debt. The county's other liabilities declined by a net of $57.6 million. Current liabilities increased as the result of the County's issuance of a tax anticipation note to generate savings by paying its 2006 pension bill in 2005. Current liabilities decreased by $39.6 million as a result of the recently enacted Medicaid cap legislation which eliminated our 2006 liability for 2005 Medicaid claims. This decrease is partially offset by a corresponding decrease in current assets for related State aid.

The county has $1.43 billion invested in its capital assets, net of related debt. Capital assets are used by the county in the provision of services to the taxpayers; hence, this investment of county equity, because it is tied up in the county's capital assets, is not immediately available to support future expenses.

The county has $113.6 million in restricted net assets. Restricted net assets are subject to requirements imposed by legislation or by outside parties; accordingly, such assets are also not readily available to offset financial commitments made by the county in the future. The county's restricted net assets consist of fund balances that have been accumulated in its capital project funds.

Finally, the county's statement of net assets shows a deficit balance of $2.97 billion in unrestricted net assets in 2005, which represents a decrease of $147.3 million in the county's deficit balance of unrestricted net assets since the close of the 2004 fiscal year. Unrestricted net assets reflect all liabilities that are not related to the county's capital assets and which are not expected to be repaid from restricted resources. Accordingly, the county will have to allocate future revenues towards the payment of these liabilities as well.

Notwithstanding their unique budgetary pressures, counties in New York State generally have a positive balance of net assets, so Nassau's substantial negative net worth requires additional explanation.

As of December 31, 2005, Nassau County and its blended component units had a combined $3.2 billion in outstanding long-term debt. All of the county's debt indicators and ratios are disproportionately high, exceeding comparable indicators and ratios of peer counties in New York State. This is because the county has historically issued long-term debt to finance judgments, settlements, and the payment of property tax refunds resulting from successful grievances of erroneous property tax assessments.

Nassau County is responsible under State law for guaranteeing the tax levy of the three towns within the county, all but one of the 56 school districts, and 225 special districts. Prior to the mass property revaluation which was completed in 2002, the county had not reassessed its residential properties since 1938, nor had it reassessed its commercial properties since 1986. Even after the revaluation, over one-hundred thousand grievances have been filed annually by residential and commercial property owners protesting the accuracy of the assessed values assigned to their properties. Beginning in 2006, the county will be paying tax certiorari settlements using operating funds.

As of December 31, 2005, Nassau County had $1.6 billion in outstanding debt related to the payment of property tax refunds and $147.8 million in outstanding debt issued to finance the payment of judgments and settlements. No corresponding assets exist to offset the liabilities generated by the issuance of long-term debt for what are essentially working capital purposes. A deficit balance of net assets that results from the issuance of debt to cover current operating costs is a cause of concern for the financial health of the county.

The Statement of Activities

The statement of activities for the fiscal year that ended December 31, 2005 further explains changes in the county's net worth from 2004 to 2005. Table 2 summaries the changes in the county's net assets. There are several events that impacted the county's net worth. They include:

- Charges for Services decreased by $65.2 million, primarily because the county's intergovernmental transfer payment to the Nassau Health Care Corporation dropped by $81 million. This decrease in reimbursements has a corresponding decrease in expenses for IGT payments made by the county.

- Operating Grants dropped by $67.3. As a result of the recently enacted State Medicaid cap, year end accruals for Medicaid expenditures and related State reimbursements are no longer required. In 2004, the accrual for State aid was $25 million. Additionally, 2004 operating grant receipts were increased by reimbursements for prior year drug and alcohol programs and 2005 reimbursements for federal prisoners decreased due to a declining federal inmate population..

- Capital Grants decreased by $29.1 million due to a 2004 reclassification of bus transportation grant revenues which resulted in a one-time increase in fiscal 2004 capital grants.

- Sales Tax Revenues increased $18.8 million, while Other Taxes grew $4.9 million due primarily to the enactment of an increase in motor vehicle registration fees.

- Investment Income grew $18.5 million due both to larger cash balances and rising short-term interest rates.

- General Government Expenses were reduced by $67.3 million. This included a $179.5 million decrease in the outstanding property tax liability, partially offset by a $61 million increase in the amount of refunds paid during 2005 and other increases in general operating expenses.

- Protection of Persons expenses increased by $18 million due primarily to growing salary, fringe benefit and equipment costs in the Police Headquarters Fund.

- Social Services expenses dropped $92.5 million due primarily to the $81 million reduction in the intergovernmental transfer program.

- Corrections expenditures increased by $24.7 million as a result of growing salary costs and rising contractual services expenditures, primarily related to medical services provided to inmates by the Nassau Health Care Corporation.

- Interest on Long-Term Debt grew by $28.2 million due to, among other things, less NIFA restructuring of county debt.

Table 2
Change in Net Assets
(dollars in millions)

	2005	2004	Change
Revenues			
Program Revenues			
Charges for Services	$ 217.0	$ 282.2	$ (65.2)
Operating Grants	381.3	448.6	(67.3)
Capital Grants	27.3	56.4	(29.1)
General Revenues			
Property Taxes	884.9	881.9	3.0
Sales Taxes	952.7	933.9	18.8
Other Taxes	40.9	36.0	4.9
Tobacco Settlement Revenues	45.3	45.7	(0.4)
Investment Income	36.6	18.1	18.5
Other General Revenues	21.4	22.7	(1.3)
Total Revenues	2,607.4	2,725.5	(118.1)
Expenses			
Legislative	8.3	6.9	1.4
Judicial	42.5	45.6	(3.1)
General Government	493.1	560.4	(67.3)
Protection of Persons	638.4	620.4	18.0
Health	239.1	233.9	5.2
Public Works	228.1	222.8	5.3
Recreation and Parks	41.5	37.7	3.8
Social Services	535.0	627.5	(92.5)
Corrections	218.1	193.4	24.7
Education	13.6	15.0	(1.4)
Interest on Long Term Debt	150.6	122.4	28.2
Total Expenses	2,608.3	2,686.0	(77.7)
Increase / (Decrease) in Net Assets	(0.9)	39.5	(40.4)
Net Assets - (Deficit) Beginning	(1,429.5)	(1,469.0)	39.5
Net Assets - (Deficit) Ending	$ (1,430.4)	$ (1,429.5)	$ (0.9)

ANALYSIS OF FUND FINANCIAL STATEMENTS FOR 2005

The remaining statements in the CAFR are *fund financial statements* (*governmental fund statements and fiduciary fund statements*) that focus on individual parts of the county government, reporting on the county's operations in more detail that the government-wide statements. Funds are accounting devices that the county uses to keep track of specific sources of funding and spending on particular programs. The fund financial statements employ the *current financial resources measurement focus* and are presented using the *modified-accrual basis of accounting*. The current financial resources measurement focus requires the fund financial statements to report near-term inflows and outflows of financial resources. To achieve this objective, the application of the accrual basis of accounting must be modified so that the fund financial statements report only those transactions and events that affect inflows and outflows of financial resources in the near future.

The county's *governmental fund statements* (*balance sheet and statement of revenues, expenditures, and changes in fund balance*) tell how the general governmental services were financed in the short term as well as what money remains for future spending. These statements present the government's current financial resources (which include its cash and assets that will become cash in the next year) and the current liabilities that these assets will be used to retire.

The county's general operations are financed through five major operating funds: the general fund; the county parks and recreation fund; the fire prevention, safety, communication, and education fund; the police headquarters fund; and the police district fund. With the exception of the police district fund, the remaining major operating funds have identical tax bases; accordingly, the resources in these funds are fungible. The county also has a debt service fund into which resources are transferred to pay current and future debt service obligations. The county's sewer and storm water operations are funded through a sewer and storm water resources district, which through state legislation consolidated three sewage disposal district maintenance funds as well as a sewage collection district maintenance fund for the twenty-seven sewer collection districts located throughout Nassau County. The county also has a technology fund, an open space fund, as well as a series of other non-major operating and capital project funds.

The Governmental Fund Statements

Nassau County ended the 2005 fiscal year with a budgetary surplus totaling $78.5 million aggregated across its major operating funds.

The county allocated $50 million of these surplus funds for the purpose of paying 2006 tax certiorari settlements. This represents the first step in the county's transition to utilizing PAYGO funds instead of using borrowed proceeds. Another $24.8 million was deposited into the Retirement Contribution Fund for the purpose of offsetting future pension costs. Lastly, $3 million was set aside to pay routine judgments and settlements out of operating funds.

Table 3
Summary of Changes in Unreserved Fund Balance
Major Operating Funds and Sewer District Fund
(dollars in millions)

	2005	2004	Change
Primary Operating Funds			
General Fund	$ 88.5	$ 85.6	$ 2.9
Parks Fund	(0.2)	0.0	(0.2)
Fire Commission	(0.3)	0.0	(0.3)
Police Headquarters	(9.7)	0.0	(9.7)
Police District	(0.2)	4.9	(5.1)
Debt Service Fund	0.0	10.0	(10.0)
Total Primary Operating Funds	$ 78.1	$ 100.5	$ (22.4)
Sewer District Fund -			
Sewer and Storm Water District	$ 52.1	$ 21.4	$ 30.7

As Table 3 shows, even after factoring in the resources transferred to advance the purposes enumerated above, accumulated unreserved, undesignated fund balance in the major operating funds totaled $78.1 million in 2005 on a financial reporting basis. The drop of $22.4 million from 2004 is primarily the result of two factors. First, the County utilized all $10 million of its Debt Service Fund balance to cover operations in 2005. Second, major fund pension expenditures are $12.4 million higher on a GAAP basis than a budgetary basis and consequently, unreserved fund balance is lower on a GAAP basis.

On a budgetary basis, accumulated unreserved and undesignated fund balance in the five major operating funds remained constant at $90.5 million.

Unreserved fund balance in the sewer and storm water resources district grew by $30.7 million, reflecting the transfer of fund balance to reserve funds established by the Sewer and Storm Water Finance Authority ("SSWFA").

The county's operating surplus and its ability to keep its accumulated unreserved, undesignated fund balance at $90.5 million on a budgetary basis were the result of conservative budgeting, a series of one-time benefits, and substantial progress in the implementation of core elements of the multi-year financial plan. Specific factors that contributed to the county's fiscal performance were as follows:

- The county's workforce management program limited new hiring primarily to essential and/or emergency functional areas. Throughout the year, full-time staffing levels were below budgeted levels and, for example, on December 22, 2005, full-time staffing in the major operating funds was 101 positions below the budget allotment of 9,012. The Office of Management and Budget estimates that 2005 savings due to workforce management exceeded $6 million.

- The county successfully implemented a series of "smart government initiatives" the value of which totaled $15.7 million. These initiatives included: the Medicaid utilization project, workers compensation cost containment, improved consumer affairs revenue collection and a limited administrative purchase freeze.

- As expected and assumed in the Multi-Year Financial Plan, the county recognized three categories of one-time revenue in 2005 to preserve fiscal stability until the recurring benefits of the Medicaid cap are realized. They were approximately $25 million in Capital Fund debt reserve recoveries, $15 million of prior period expenditure recoveries from the Sewer and Storm Water Resources District and a non-recurring benefit of approximately $8 million from Medicaid relief as a result of the new State Medicaid cap.

- The county's health insurance expenses were $9 million less than budget, due to the effects of the workforce management program and lower than anticipated growth rates for retiree health insurance compared to the budget assumption (2.5 percent versus 9.5 percent).

- The county saved approximately $8.7 million in principal and interest expenses from the 2004 NIFA fall borrowing and an additional $3.8 million from low interest rates on NIFA floating rate debt.

- Investment income exceeded budget by $8.8 million due to a conservative budget estimate and higher than expected increases in interest rates.

- Partially offsetting these positive results were several negative factors including poor sales tax receipts (only 1.5 percent growth over 2004), higher than budgeted public safety overtime, increasing Early Intervention and Special Education costs, rising energy rates and reduced federal reimbursement for housing federal inmates in the local correctional facility.

Nassau Heath Care Corporation: Remaining Risk to the County's Long-Term Recovery

The major risk to the county's long-term fiscal recovery has been the financial condition of the Nassau Health Care Corporation. In the absence of significant corrective actions, the corporation could deplete its cash balances, raising the possibility that the county would need to increase its subsidy to the corporation, draining resources that might be required to balance future county budgets. To stabilize the finances of the corporation, the county engaged a consultant – Manatt, Phelps, and Phillips ("Manatt") – to assess the problems facing the corporation and provide a series of recommendations for its eventual recovery.

Manatt identified six basic flaws in the operations of the corporation that included a weak governance structure, a high debt burden, a strained relationship between the county and the corporation, underutilized programming and the generally problematic environment for public hospitals in the State of New York. In January 2004 Manatt issued a plan to restructure the operations of the corporation to focus on its core competency as a community health care provider. It recommended operational improvements designed to reduce costs and improve revenue generation, State reimbursement rate changes, relocation of NHCC's nursing home facility and the sale of existing property to reduce debt, a refunding of 1999 bonds and the approval of an interim stabilization agreement. In October of 2004, the county and the corporation executed the stabilization agreement and closed on a combined refunding and new money transaction.

Adherence to the recovery plan would have produced a break-even run rate by the end of 2005 and a year-end operating loss of only $6.5 million. Though the corporation's financial performance closely tracked its budget through August 2005, significant negative variances were experienced during the final third of the year, particularly in the areas of salaries, fringe benefits and utilities. As a result, NHCC ended 2005 with an operating loss of $14.3 million.

The management team of the hospital is working closely with the county to implement the steps necessary to bring the corporation's financial performance in line with 2006 projections.

During 2006, the Nassau County Tobacco Securitization Corporation resecuritized previously outstanding tobacco debt and generated funds that, with the approval of the county legislature, can be used for capital improvements and financial stability at the NHCC.

CAPITAL INVESTMENTS

In 2005, Nassau County utilized $227.9 million in bond proceeds and other financing sources, such as investment earnings, for both capital and working capital purposes. Nassau invested $33.3 million in bond proceeds and associated interest earnings (14.6%) in physical plant improvements, equipment purchases, and the acquisition of land. The remaining $194.6 million (85.4%) of these bond proceeds and associated investment earnings were used by the county to pay property tax refunds, legal settlements, and judgments. Management has already discussed the problems with the county's historical reliance on long-term debt to finance working capital expenses, as well as its plan to transition the burden of these payments, over time, to the county's operating budget.

The county completed a number of capital projects during the 2005 fiscal year, including the refurbishment of Nickerson Beach, road widening at Glen Cove Road and Northern Boulevard, the raising of Bayville Avenue and reconfiguration of Marcus and Denton Avenues. In addition, there were various capital improvements that occurred within the county's major parks. Two construction projects to renovate the Old County Courthouse began or continued in 2005. In addition the county's new Health and Human Services facility was opened.

The county made capital improvements during 2005 in the following areas:

Table 4
Capital Improvements
December 31, 2004 to December 31, 2005
(amounts in millions)

Project Category	Amount
Roads	$30.2
Real Estate Consolidation Program	$19.1
Public Safety	$11.6
Parks	$8.6
Sewer and Storm Water Improvements	$6.1
Property Acquisition	$5.9
Building Improvements	$5.1
Traffic	$5.0
Technology	$4.6
Infrastructure and Community Development	$4.3
Equipment	$3.0
Transportation	$2.6
Total	**$106.1**

DEBT

Nassau County and its blended component units - NIFA, the Tobacco Settlement Corporation ("TSC"), and the SSWFA - had approximately a combined $3.22 billion in outstanding long-term debt as of December 31, 2005, representing an increase of almost $48 million (or 1.5 percent) over the combined long-term debt outstanding as of December 31, 2004. The county also provides a direct-pay guarantee of $300.96 million outstanding from the refunding and new money debt issued in October of 2004 by the Nassau Health Care Corporation and $21.81 million outstanding from the refunding and new money debt issued in June of 2005 by the Nassau Regional Off-Track Betting Corporation. Since the two corporations are discretely-presented component units of the county, its debt is not itemized in Table 5 below.

Table 5
Changes in Long-Term Debt Obligations
December 31, 2004 to December 31, 2005
(dollars in thousands)

	Balance 31-Dec-04	Additions	Reductions	Balance 31-Dec-05
General Obligation County Bonds	$ 750,955		$ 257,719	$ 493,236
Sewage Purpose Bonds	148,324		20,016	128,308
SRF Revenue Bonds	170,584	1,775	8,199	164,160
Total county Long -Term Debt	1,069,863	1,775	285,934	785,704
NIFA Sales Tax Secured Bonds	1,748,425	390,295	51,760	2,086,960
Tobacco Settlement Asset-Backed Bonds	275,295		3,170	272,125
Sewer Financing Authority	81,550		2,975	78,575
TOTAL LONG TERM DEBT	$ 3,175,133	$ 392,070	$ 343,839	$ 3,223,364

Nassau County's outstanding long-term debt declined $257.7 million because the county has been issuing long-term debt through NIFA since its inception in June of 2000. The only exception has been the county's continued issuance of debt through the State Revolving Loan Fund ("SRF") for sewer and storm water improvement initiatives. The SRF is administered by the New York State Environmental Facilities Corporation. It provides interest-subsidized loans to local governments for eligible environmental projects.

NIFA's long-term debt increased $338.5 million during the 2005 fiscal year. This increase reflects a refunding of NIFA and county debt and the issuance of $286.7 million of new money debt for the county's capital and working capital needs.

The TSC issued $294.5 million in debt to securitize future tobacco settlement revenues. As of December 31, 2005, the TSC had $272.1 million in outstanding asset-backed debt. Approximately $37.6 million in securitization proceeds remain for use by the county.

During 2005, the SSWFA issued $41.7 million in commercial paper notes and repaid $29.8 million of those notes, for the net amount of $11.9 million outstanding at December 31, 2005.

The county issued a cash flow note during the 2005 fiscal year. Management anticipates issuing a cash flow note in 2006.

NASSAU COUNTY'S CREDIT RATING

The three major credit rating agencies have responded to the county's fiscal progress by increasing the ratings assigned to the county's long-term general obligation debt a total of 11 times from February of 2003 through November of 2005.

From February through December of 2003, Moody's Investors Service raised Nassau's credit rating from Baa3 to Baa1, Standard and Poor's increased Nassau's credit rating from BBB- to BBB+, and Fitch Ratings elevated the county's credit rating from BBB to BBB+ with a positive outlook.

During 2004, Moody's Investors Service raised Nassau's credit rating from Baa1 to A3, Standard and Poor's increased Nassau's credit rating from BBB+ to A-, and Fitch Ratings elevated the county's credit rating from BBB+ with a positive outlook to A- with a positive outlook.

In June of 2005, Fitch Ratings awarded Nassau County a double-notch upgrade, raising the county's credit rating from A- with a positive outlook to A+ with a positive outlook. In November of 2005 Standard and Poor's raised the county's rating from A- to A.

CONCLUSION

In spite of the acceleration of borrowing to reduce the county's backlog of unpaid real estate tax refunds, the net worth of the county only declined from 2004 to 2005 by $0.9 million, though the county has a significant deficit balance of net assets totaling $1.43 billion. The county's deficit balance of net assets is a function of its reliance for over a decade on the issuance of long-term working capital debt to finance the payment of property tax refunds, judgments, and settlements. Management has committed to transitioning to the payment of these expenses from the county's operating budget and Fiscal 2006 represents the first year that $50 million in operating funds were made available for this purpose.

During 2005, the county generated a positive budgetary surplus of $78.5 million across its major operating funds. This surplus was a function, in large part, of conservative budgeting, one time benefits, and progress in the implementation of the multi-year financial plan. Of these funds, the county directed $50 million to make property tax refund payments, and $24.8 was added to the Retirement Contribution Reserve Fund to hedge against future pension cost growth. Unreserved, undesignated fund balance in the county's major operating funds remained at $90.5 million on a budgetary basis. The county also made considerable progress in addressing one of the major risks to its long-term financial stability: the reduction of the backlog of unresolved property tax grievances. The three credit rating agencies responded to these improvements in the county's financial position with a series of positive rating actions.

Despite the county's considerable financial progress, significant challenges to the county's future fiscal health remain. The multi-year financial plan continues to project out-year budget gaps which will require new fiscal initiatives to close. And the county must also continue to work with the Nassau Health Care Corporation to implement the remaining elements of its recovery plan.

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BASIC FINANCIAL STATEMENTS

EXHIBIT X-1

COUNTY OF NASSAU, NEW YORK

STATEMENT OF NET ASSETS
DECEMBER 31, 2005 (Dollars In Thousands)

	Primary Government Governmental Activities	Component Units
ASSETS		
CURRENT ASSETS:		
Cash and Cash Equivalents	$ 638,133	$ 66,803
Investments, Including Accrued Interest (Note 2)	30,817	
Sales Tax Receivable	97,031	
Interest Receivable	2,166	
Student Accounts and Loans Receivable		5,490
Less Allowance for Doubtful Amounts		(1,872)
Due from Other Governments (Note 3)	161,272	51,788
Less Allowance for Doubtful Accounts	(4,569)	
Other Receivables		17,740
Accounts Receivable	12,375	246,753
Less Allowance for Doubtful Accounts		(153,860)
Real Property Taxes Receivable	57,522	
Less Allowance for Doubtful Accounts	(8,832)	
Due from Component Unit (Note 6)	37,008	
Inventories		4,862
Prepaid Expenses	80,001	
Other Assets	25,243	17,468
Total Current Assets	1,128,167	255,172
NON CURRENT ASSETS:		
Deferred Financing Costs	130,776	8,349
Less Accumulated Amortization	(16,648)	(1,620)
Assets Whose Use is Limited		63,133
Capital Assets not being depreciated (Note 7)	416,161	19,237
Depreciable Capital Assets (Note 7)	2,817,575	609,059
Less Accumulated Depreciation	(920,691)	(381,009)
Leasehold Acquisition Costs		1,020
Less Accumulated Amortization		(952)
Deposits Held by Trustees		6,945
Deposits Held in Custody for Others		1,428
Tax Sale Certificates (Note 5)	4,400	
Tax Real Estate Held for Sale (Note 4)	6,638	
Total Non Current Assets	2,438,211	325,590
Total Assets	3,566,378	580,762
LIABILITIES		
CURRENT LIABILITIES:		
Accounts Payable	50,056	52,714
Accrued Liabilities	232,012	30,381
Tax Anticipation Notes Payable	120,000	
Accrued Interest Payable	20,261	
Notes Payable - Current	11,885	43
Due to Primary Government (Note 6)		39,930
Unearned Revenue - Current	30,763	15,280
Current Portion of Long Term Liabilities (Note 9)	316,105	9,639
Other Liabilities - Current	29,971	19,683
Total Current Liabilities	811,053	167,670
NON CURRENT LIABILITIES:		
Notes Payable		337
Serial Bonds Payable (Notes 9 and 10)	3,025,605	326,904
Deferred Bond Premium (Net of Amortization)	95,782	2,028
Accrued Vacation and Sick Pay (Note 9 and 15)	600,221	70,012
Estimated Malpractice Liability (Notes 9 and 15)	5,832	
Estimated Tax Certiorari Payable (Notes 9 and 15)	81,000	
Estimated Liability for Litigation and Workers' Compensation (Notes 9 and 15)	289,085	31,469
Capital Lease (Note 8)	5,567	
Other Liabilities - Non Current	82,648	
Deposits Held in Custody for Others		1,428
Insurance Reserve Liability		1,692
Total Non Current Liabilities	4,185,740	433,870
Total Liabilities	4,996,793	601,540
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	1,429,730	100,354
Restricted:		
Special Revenue		2,368
Capital Projects	113,534	1,748
Debt Service		7,674
Student Loans		501
Unrestricted deficit	(2,973,679)	(133,423)
Total Net Assets (deficit)	$ (1,430,415)	$ (20,778)

See accompanying notes to financial statements.

EXHIBIT X-1

COUNTY OF NASSAU, NEW YORK

STATEMENT OF NET ASSETS
DECEMBER 31, 2004 (Dollars in Thousands)

	Primary Government Governmental Activities	Component Units
ASSETS		
CURRENT ASSETS:		
Cash and Cash Equivalents	$ 809,420	$ 74,202
Investments, Including Accrued Interest (Note 2)	26,761	
Sales Tax Receivable	100,808	
Interest Receivable	397	
Student Accounts and Loans Receivable		5,173
Less Allowance for Doubtful Amounts		(1,583)
Due from Other Governments (Note 3)	193,238	12,762
Less Allowance for Doubtful Accounts	(4,569)	
Other Receivables		5,748
Accounts Receivable	17,340	169,902
Less Allowance for Doubtful Accounts		(80,493)
Real Property Taxes Receivable	49,926	
Less Allowance for Doubtful Accounts	(8,841)	
Due from Component Unit (Note 6)	2,568	
Inventories		3,999
Other Assets	16,585	28,306
Total Current Assets	1,203,633	218,016
NON CURRENT ASSETS:		
Deferred Financing Costs	118,467	9,178
Less Accumulated Amortization	(9,758)	(2,637)
Assets Whose Use is Limited		65,123
Capital Assets not being depreciated (Note 7)	374,166	25,348
Depreciable Capital Assets (Note 7)	2,777,302	589,951
Less Accumulated Depreciation	(829,425)	(358,954)
Leasehold Acquisition Costs		1,020
Less Accumulated Amortization		(884)
Deposits Held by Trustees		5,301
Deposits Held in Custody for Others		1,866
Tax Sale Certificates (Note 5)	4,602	
Tax Real Estate Held for Sale (Note 4)	6,542	
Total Non Current Assets	2,441,896	335,312
Total Assets	3,645,529	553,328
LIABILITIES		
CURRENT LIABILITIES:		
Accounts Payable	44,273	45,035
Accrued Liabilities	212,943	18,882
Bond Anticipation Notes Payable		12,000
Accrued Medical Assistance Liability	39,583	
Accrued Interest Payable	20,482	
Notes Payable - Current		41
Due to Primary Government (Note 6)		6,615
Unearned Revenue - Current	30,124	14,697
Liability for the Retirement of Pension Debt	8,158	
Current Portion of Long Term Liabilities (Note 9)	423,350	8,293
Other Liabilities - Current	89,767	42,267
Total Current Liabilities	868,680	147,830
NON CURRENT LIABILITIES:		
Notes Payable		380
Serial Bonds Payable (Notes 9 and 10)	2,952,321	313,292
Unearned Revenue - Non Current	4,234	
Deferred Bond Premium (Net of Amortization)	84,964	1,421
Accrued Vacation and Sick Pay (Note 9 and 15)	579,977	67,588
Estimated Malpractice Liability (Notes 9 and 15)	6,024	
Estimated Tax Certiorari Payable (Notes 9 and 15)	183,658	
Estimated Liability for Litigation and Workers' Compensation (Notes 9 and 15)	290,778	29,029
Capital Lease (Note 8)	5,573	
Other Liabilities - Non Current	98,777	
Deposits Held in Custody for Others		1,871
Insurance Reserve Liability		1,644
Liability for Future Pension Expense		1,334
Total Non Current Liabilities	4,206,306	416,559
Total Liabilities	5,074,986	564,389
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	1,554,662	103,245
Restricted:		
Special Revenue		2,086
Capital Projects	136,826	1,798
Debt Service		5,301
Student Loans		622
Unrestricted deficit	(3,120,945)	(124,113)
Total Net Assets (deficit)	$ (1,429,457)	$ (11,061)

See accompanying notes to financial statements.

EXHIBIT X-2

COUNTY OF NASSAU, NEW YORK

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2005 (Dollars in Thousands)

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
					Primary Government	
Functions/Programs	Expenses	Charges for Services	Operating Grants	Capital Grants	Governmental Activities	Component Units
Primary Government:						
Legislative	$ 8,321	$ 1	$	$	$ (8,320)	$
Judicial	42,533	18,065	5,399		(19,069)	
General Government	493,012	55,543	32,025		(405,444)	
Protection of Persons	638,393	31,406	18,056		(588,931)	
Health	239,111	28,209	107,583		(103,319)	
Public Works	228,119	5,975	933	27,269	(193,942)	
Recreation and parks	41,541	16,623			(24,918)	
Social Services	535,021	55,782	193,228		(286,011)	
Corrections	218,053	5,389	24,069		(188,595)	
Education	13,621				(13,621)	
Debt Service Interest	150,564				(150,564)	
Total Primary Government	$ 2,608,289	$ 216,993	$ 381,293	$ 27,269	(1,982,734)	
Component Units	$ 719,084	$ 574,046	$ 129,305	$ 1,091		(14,642)
General Revenues:						
Taxes:						
Property Taxes					$ 884,859	
Sales Taxes					952,675	
Other Taxes					40,870	
Tobacco Settlement Revenue and Tobacco Receipts					45,301	
Investment Income					36,622	2,670
Other					21,449	2,255
Total General Revenues					1,981,776	4,925
Change in Net Assets					(958)	(9,717)
Net Assets (Deficit) - Beginning					(1,429,457)	(11,061)
Net Assets (Deficit) - Ending					$ (1,430,415)	$ (20,778)

See accompanying notes to financial statements.

EXHIBIT X-2

COUNTY OF NASSAU, NEW YORK

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2004 (Dollars in Thousands)

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
					Primary Government	
Functions/Programs	Expenses	Charges for Services	Operating Grants	Capital Grants	Governmental Activities	Component Units
Primary Government:						
Legislative	$ 6,866	$ 23	$	$	$ (6,843)	$
Judicial	45,584	13,047	5,657		(26,880)	
General Government	560,382	55,609	27,747		(477,026)	
Protection of Persons	620,384	29,379	14,800		(576,205)	
Health	233,916	17,021	143,921		(72,974)	
Public Works	222,859	2,764	640	56,369	(163,086)	
Recreation and parks	37,704	16,335			(21,369)	
Social Services	627,511	138,304	229,475		(259,732)	
Corrections	193,434	2,579	24,846		(166,009)	
Education	14,975	7,186	1,538		(6,251)	
Debt Service Interest	122,391				(122,391)	
Total Primary Government	$ 2,686,006	$ 282,247	$ 448,624	$ 56,369	(1,898,766)	
Component Units	$ 723,412	$ 567,615	$ 127,772	$ 1,523		(26,502)
	General Revenues:					
	Taxes:					
	Property Taxes				$ 881,934	
	Sales Taxes				933,863	
	Other Taxes				36,027	
	Tobacco Settlement Revenue and Tobacco Receipts				45,656	
	Investment Income				18,066	4,863
	Other				22,723	(3,183)
	Total General Revenues				1,938,269	1,680
	Change in Net Assets				39,503	(24,822)
	Net Assets (Deficit) - Beginning				(1,468,960)	15,397 *
	Cumulative Effect of Change in Accounting Principle					(1,636)
	Net Assets (Deficit) - Ending				$ (1,429,457)	$ (11,061)

* As restated to include the College's component units as of September 1, 2003 (See Note 1)

See accompanying notes to financial statements.

EXHIBIT X-3

COUNTY OF NASSAU, NEW YORK

GOVERNMENTAL FUNDS
BALANCE SHEET
DECEMBER 31, 2005 (Dollars in Thousands)

ASSETS	General	NIFA General Fund	Debt Service Fund	Fire Prevention, Safety, Communication and Education Fund	County Parks and Recreation Fund	Police District Fund	Police Headquarters Fund	Nonmajor Governmental Funds	Total Governmental Funds
Cash	$ 123,367	$ 5,301	$ 6,381	$ 4,781	$ 27,118	$ 90	$ 266	$ 470,829	$ 638,133
Investments (Note 2)								30,817	30,817
Sales Tax Receivable		97,031							97,031
Interest Receivable		9						2,157	2,166
Due from Other Governments (Note 3)	146,018						1,541	13,713	161,272
Less Allowance for Doubtful Accounts	(4,569)								(4,569)
Accounts Receivable	9,634				561	5	33	2,142	12,375
Real Property Taxes Receivable	57,522								57,522
Less Allowance for Doubtful Accounts	(8,832)								(8,832)
Tax Sale Certificates (Note 5)	4,400								4,400
Tax Real Estate Held for Sale (Note 4)	6,638								6,638
Interfund Receivables (Note 6)	126,385		33,469	13		8,459	12,461	196,613	377,400
Prepaid Expenses	29,736			765	1,337	25,597	19,001	3,565	80,001
Due from Component Units (Note 6)	45,471							1,214	46,685
Other Assets	7,023	31		116	461	3,158	3,146	11,308	25,243
TOTAL ASSETS	$ 542,793	$ 102,372	$ 39,850	$ 5,675	$ 29,477	$ 37,309	$ 36,448	$ 732,358	$ 1,526,282
LIABILITIES AND FUND EQUITY									
LIABILITIES:									
Accounts Payable	$ 32,456	$	$	$ 28	$ 304	$ 573	$ 572	$ 16,123	$ 50,056
Accrued Liabilities	142,760	136	237	1,051	1,264	12,155	26,657	47,771	232,031
Tax Anticipation Notes Payable (Note 9)	120,000								120,000
Notes Payable								11,885	11,885
Unearned Revenue	28,795				18			24,538	53,351
Interfund Payables (Note 6)	37,195	101,589	39,613	2,329	26,899	22,995	15,190	131,590	377,400
Due to Component Units (Note 6)				2,284			46	7,347	9,677
Other Liabilities	28,044			16	159	436	435	83,529	112,619
Total Liabilities	389,250	101,725	39,850	5,708	28,644	36,159	42,900	322,783	967,019
FUND EQUITY :									
Fund Balances:									
Reserved for Retirement of Temporary Financing								7,816	7,816
Reserved for Encumbrances	65,052		-	261	1,012	1,349	3,252	239,615	310,541
Unreserved and Designated for Ensuing Year's Budget (Note 13):									-
General	13,367								13,367
Special Revenue								52,087	52,087
Unreserved nonmajor fund balances:									
Special Revenue								72,140	72,140
Capital Projects								33,923	33,923
Debt Service								3,994	3,994
Unreserved major fund balances (Note 13)	75,124	647	-	(294)	(179)	(199)	(9,704)		65,395
Total Fund Equity	153,543	647	-	(33)	833	1,150	(6,452)	409,575	559,263
Commitments and Contingencies (Note 15)									
TOTAL LIABILITIES AND FUND EQUITY	$ 542,793	$ 102,372	$ 39,850	$ 5,675	$ 29,477	$ 37,309	$ 36,448	$ 732,358	$ 1,526,282

The reconciliation of the fund balances of governmental funds to the net assets of governmental activities in the Statement of Net Assets is presented in an accompanying schedule.

See accompanying notes to financial statements.

EXHIBIT X-3

COUNTY OF NASSAU, NEW YORK

GOVERNMENTAL FUNDS
BALANCE SHEET
DECEMBER 31, 2004 (Dollars in Thousands)

ASSETS	General	NIFA General Fund	Debt Service Fund	Fire Prevention, Safety, Communication and Education Fund	County Parks and Recreation Fund	Police District Fund	Police Headquarters Fund	Nonmajor Governmental Funds	Total Governmental Funds
Cash	$ 18,867	$ 5,128	$ 18,663	$ 8,997	$ 31,915	$ 81,764	$ 71,032	$ 573,054	$ 809,420
Investments (Note 2)								26,761	26,761
Sales Tax Receivable		100,808							100,808
Interest Receivable		3						394	397
Due from Other Governments (Note 3)	182,273			25			1,385	9,555	193,238
Less Allowance for Doubtful Accounts	(4,569)								(4,569)
Accounts Receivable	16,364			1	171	216	30	558	17,340
Real Property Taxes Receivable	49,926								49,926
Less Allowance for Doubtful Accounts	(8,841)								(8,841)
Tax Sale Certificates (Note 5)	4,602								4,602
Tax Real Estate Held for Sale (Note 4)	6,542								6,542
Interfund Receivables (Note 6)	217,428	27	37,850			216	6,910	256,800	519,231
Due from Component Units (Note 6)	4,236							424	4,660
Other Assets	6,846	110		114	440	2,956	2,963	860	14,289
TOTAL ASSETS	$ 493,674	$ 106,076	$ 56,513	$ 9,137	$ 32,526	$ 85,152	$ 82,320	$ 868,406	$ 1,733,804
LIABILITIES AND FUND EQUITY									
LIABILITIES:									
Accounts Payable	$ 27,187	$	$	$ 14	$ 307	$ 350	$ 552	$ 15,863	$ 44,273
Accrued Liabilities	112,732			2,336	1,014	17,682	14,996	64,127	212,887
Accrued Medical Assistance Liability	39,583								39,583
Unearned Revenue	39,174				18			16,064	55,256
Interfund Payables (Note 6)	94,752	105,622	38,355	5,885	30,367	57,842	62,467	123,941	519,231
Due to Component Units (Note 6)				460			46	1,586	2,092
Liability for Retirement of Pension Debt			8,158						8,158
Other Liabilities	27,493		-	17	63	426	427	160,118	188,544
Total Liabilities	340,921	105,622	46,513	8,712	31,769	76,300	78,488	381,699	1,070,024
FUND EQUITY :									
Fund Balances:									
Reserved for Retirement of Temporary Financing								64,106	64,106
Reserved for Encumbrances	67,123			425	757	3,982	3,832	161,367	237,486
Unreserved and designated for Ensuing Year's Budget (Note 13)			10,000						10,000
Unreserved non major fund balances:									
Special Revenue Funds								77,362	77,362
Capital Project Funds								132,855	132,855
Debt Service Funds								51,017	51,017
Unreserved major fund balances (Note 13)	85,630	454				4,870			90,954
Total Fund Equity	152,753	454	10,000	425	757	8,852	3,832	486,707	663,780
Commitments and Contingencies (Note 15)									
TOTAL LIABILITIES AND FUND EQUITY	$ 493,674	$ 106,076	$ 56,513	$ 9,137	$ 32,526	$ 85,152	$ 82,320	$ 868,406	$ 1,733,804

The reconciliation of the fund balances of governmental funds to the net assets of governmental activities in the Statement of Net Assets is presented in an accompanying schedule.

See accompanying notes to financial statements.

EXHIBIT X-4

COUNTY OF NASSAU, NEW YORK

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS DECEMBER 31, 2005 (Dollars in Thousands)

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Total fund balances - governmental funds	$ 559,263
Revenue recorded in the statement of net assets is recorded as unearned revenue in the governmental funds	22,588
Premium on debt issued is recorded in the governmental funds as revenue. In the statement of activities, the premium is amortized over the lives of the debt	(95,782)
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net	2,313,045
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds	114,128
Long-term liabilities are not due and payable in the current period and accordingly are not reported in the funds:	
Bonds payable	(3,025,605)
Other long term liabilities	(981,705)
Current portion of long term liabilities and short term notes payable	(316,105)
Accrued expenses and interest payable	(20,242)
Net assets (deficit) of governmental activities	$ (1,430,415)

See accompanying notes to financial statements.

EXHIBIT X-4

COUNTY OF NASSAU, NEW YORK

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS DECEMBER 31, 2004 (Dollars in Thousands)

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Total fund balances - governmental funds	$ 663,780
Revenue recorded in the statement of net assets is recorded as unearned revenue in the governmental funds	23,194
Premium on debt issued is recorded in the governmental funds as revenue. In the statement of activities, the premium is amortized over the lives of the debt	(84,964)
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net	2,322,043
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds	108,653
Long-term liabilities are not due and payable in the current period and accordingly are not reported in the funds:	
Bonds and notes payable	(2,952,320)
Other long term liabilities	(1,066,010)
Current portion of long term liabilities	(423,351)
Accrued interest payable	(20,482)
Net assets (deficit) of governmental activities	$ (1,429,457)

See accompanying notes to financial statements.

EXHIBIT X-5

COUNTY OF NASSAU, NEW YORK

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2005 (Dollars in Thousands)

	General	NIFA General	Debt Service Fund	Fire Prevention, Safety, Communication and Education Fund	County Parks and Recreation Fund	Police District Fund	Police Headquarters Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:									
Interest and Penalties on Taxes	$ 21,369	$	$	$	$	$	$	$	$ 21,369
Unrealized Gain on Investments								5,382	5,382
Licenses and Permits	7,558					1,508	389		9,455
Fines and Forfeits	21,135					102		1,478	22,715
Interest Income	8,286	1,142		47	431	113	134	14,733	24,886
Rents and Recoveries	29,272				1,000	95	397	217	30,981
Tobacco Settlement Revenue	23,017								23,017
Tobacco Receipts								22,284	22,284
Departmental Revenue	87,270			4,422	15,080	3,101	15,350	3,727	128,950
Interdepartmental Revenue	121,599			95		188	7,824	807	130,513
Federal Aid	114,046						473	50,982	165,501
State Aid	198,745			235		123	612	31,671	231,386
State Aid from NIFA								7,500	7,500
Sales Tax	765,485	129,622							895,107
Preempted Sales Tax in Lieu of Property Taxes	57,568								57,568
Property Taxes	119,973			15,444	48,294	309,307	252,898	138,943	884,859
Payments in Lieu of Taxes	4,298								4,298
Special Taxes	12,152				1,091		23,329		36,572
Other Revenues	16,148		8,682					4,236	29,066
Total Revenues	1,607,921	130,764	8,682	20,243	65,896	314,537	301,406	281,960	2,731,409
EXPENDITURES:									
Current:									
Legislative	8,325								8,325
Judicial	39,791							1,853	41,644
General Administration	230,902	1,136						29,217	261,255
Protection of Persons	11,702			20,041		328,964	314,012	8,216	682,935
Health	197,873							45,706	243,579
Public Works	93,124							103,354	196,478
Recreation and Parks					50,704			636	51,340
Capital Outlay								103,055	103,055
Sewage Districts								5,369	5,369
Social Services	537,107							6,063	543,170
Corrections	211,928							3,328	215,256
Education	6,740								6,740
Payments for Tax Certiorari and Other Judgments	260,207								260,207
Other	120,240		706						120,946
Total Current	1,717,939	1,136	706	20,041	50,704	328,964	314,012	306,797	2,740,299
Debt Service:									
Principal			140,280					86,121	226,401
Interest			36,002					107,167	143,169
Financing Costs			841					4,290	5,131
Total Debt Service			177,123					197,578	374,701
Total Expenditures	1,717,939	1,136	177,829	20,041	50,704	328,964	314,012	504,375	3,115,000
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(110,018)	129,628	(169,147)	202	15,192	(14,427)	(12,606)	(222,415)	(383,591)
OTHER FINANCING SOURCES (USES):									
Other Financing Sources - Premium			1,287					15,965	17,252
Deposited with Escrow Agent for Defeasance								(130,798)	(130,798)
Transfers In	146,402		335,816		2,905		8,608	52,703	546,434
Transfers In of Investment Income	3,249							1,232	4,481
Transfers Out	(297,558)		(181,402)	(660)	(18,021)	(775)	(6,286)	(41,732)	(546,434)
Transfers Out of Investment Income								(4,481)	(4,481)
Transfers In from NIFA	5,783	13,179	441			7,500		197,515	224,418
Transfers Out from NIFA		(142,614)						(334,736)	(477,350)
Transfers In from SFA			3,005					109,566	112,571
Transfers Out from SFA								(112,571)	(112,571)
Proceeds from Borrowings								392,620	392,620
Transfers from NIFA for Tax Certiorari and Other Judgment Borrowings	252,932								252,932
Total Other Financing Sources (Uses)	110,808	(129,435)	159,147	(660)	(15,116)	6,725	2,322	145,283	279,074
NET CHANGE IN FUND BALANCES	790	193	(10,000)	(458)	76	(7,702)	(10,284)	(77,132)	(104,517)
TOTAL FUND BALANCES AT BEGINNING OF YEAR	152,753	454	10,000	425	757	8,852	3,832	486,707	663,780
TOTAL FUND BALANCES AT END OF YEAR	$ 153,543	$ 647	$	$ (33)	$ 833	$ 1,150	$ (6,452)	$ 409,575	$ 559,263

See accompanying notes to financial statements.

EXHIBIT X-5

COUNTY OF NASSAU, NEW YORK

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2004 (Dollars in Thousands)

	General	NIFA General	Debt Service Fund	Fire Prevention, Safety, Communication and Education Fund	County Parks and Recreation Fund	Police District Fund	Police Headquarters Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:									
Interest and Penalties on Taxes	$ 22,682	$	$	$	$	$	$	$	$ 22,682
Unrealized Gain on Investments								41	41
Licenses and Permits	6,050								6,050
Fines and Forfeits	14,477								14,477
Interest Income	5,717	521		18	46	71	101	6,754	13,228
Rents and Recoveries	29,994			6	985	632	612	241	32,470
Tobacco Settlement Revenue	23,682								23,682
Tobacco Receipts								21,974	21,974
Departmental Revenue	168,726			3,856	14,098	5,250	14,529	4,116	210,575
Interdepartmental Revenue	98,641		941	2		481	2,122	2,580	104,767
Federal Aid	125,791						417	49,629	175,837
State Aid	207,850			138			1,031	66,300	275,319
State Aid from NIFA								7,500	7,500
Sales Tax	788,888	95,004							883,892
Preempted Sales Tax in Lieu of Property Taxes	49,971								49,971
Property Taxes	141,275			17,782	43,577	301,297	239,071	138,932	881,934
Payments in Lieu of Taxes	3,632								3,632
Special Taxes	12,779				195		19,421		32,395
Other Revenues	1,163		9,935					7,622	18,720
Total Revenues	1,701,318	95,525	10,876	21,802	58,901	307,731	277,304	305,689	2,779,146
EXPENDITURES:									
Current:									
Legislative	7,629								7,629
Judicial	44,715							749	45,464
General Administration	208,701	1,251						32,797	242,749
Protection of Persons	11,799			18,487		333,153	290,128	5,657	659,224
Health	190,873							45,179	236,052
Public Works	87,453							78,453	165,906
Recreation and Parks					46,440			422	46,862
Capital Outlay								70,381	70,381
Sewage Districts								5,840	5,840
Social Services	625,213							5,509	630,722
Corrections	193,390							1,684	195,074
Education	5,801								5,801
Payments for Tax Certiorari and Other Judgments	198,663								198,663
Other	156,254								156,254
Total Current	1,730,491	1,251		18,487	46,440	333,153	290,128	246,671	2,666,621
Debt Service:									
Principal			171,434					55,118	226,552
Interest			60,269					91,294	151,563
Financing Costs			612					10,165	10,777
Total Debt Service			232,315					156,577	388,892
Total Expenditures	1,730,491	1,251	232,315	18,487	46,440	333,153	290,128	403,248	3,055,513
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(29,173)	94,274	(221,439)	3,315	12,461	(25,422)	(12,824)	(97,559)	(276,367)
OTHER FINANCING SOURCES (USES):									
Other Financing Sources - Premium								33,915	33,915
Deposited with Escrow Agent for Defeasance								(322,806)	(322,806)
Transfer from NIFA for Escrow Agent	(9,076)								(9,076)
Payments to Refunding Bond Escrow Holder			(397,200)						(397,200)
Transfers In	1,785		230,729		7,623		4,629	87,107	331,873
Transfers In of Investment Income	1,767							784	2,551
Transfers Out	(200,931)			(3,215)	(20,375)	(5,579)	(7,450)	(94,323)	(331,873)
Transfers Out of Investment Income								(2,551)	(2,551)
Transfers In from NIFA	20,031	3,659	315,843			7,500		147,845	494,878
Transfers Out from NIFA		(98,078)						(595,463)	(693,541)
Transfers In from SFA	2,097		82,067					154,393	238,557
Transfers Out from SFA								(238,557)	(238,557)
Proceeds from Borrowings								1,023,955	1,023,955
Transfers from NIFA for Tax Certiorari and Other Judgment Borrowings	198,663								198,663
Total Other Financing Sources (Uses)	14,336	(94,419)	231,439	(3,215)	(12,752)	1,921	(2,821)	194,299	328,788
NET CHANGE IN FUND BALANCES	(14,837)	(145)	10,000	100	(291)	(23,501)	(15,645)	96,740	52,421
TOTAL FUND BALANCES AT BEGINNING OF YEAR	167,590	599		325	1,048	32,353	19,477	389,967	611,359
TOTAL FUND BALANCES AT END OF YEAR	$ 152,753	$ 454	$ 10,000	$ 425	$ 757	$ 8,852	$ 3,832	$ 486,707	$ 663,780

See accompanying notes to financial statements.

EXHIBIT X-6

COUNTY OF NASSAU, NEW YORK

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2005 (Dollars in Thousands)

Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balances - total governmental funds		$ (104,517)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period		
Purchase of capital assets	$ 156,853	
Depreciation expense	(105,429)	
Other	(60,422)	(8,998)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Proceeds from sales of bonds	(392,620)	
Principal payments of bonds	357,198	
Accrued interest payable	221	
Amortized debt issuance costs	(2,644)	
Payment of component unit debt costs	(5,296)	
Adjust long-term liabilities	155,679	
Other	19	112,557
Change in net assets - governmental activities		$ (958)

See accompanying notes to financial statements.

EXHIBIT X-6

COUNTY OF NASSAU, NEW YORK

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2004 (Dollars in Thousands)

Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balances - total governmental funds		$ 52,421
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period		
Purchase of capital assets	$ 130,630	
Depreciation expense	(107,507)	
Other	(11,606)	11,517
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Proceeds from sales of bonds	(1,023,955)	
Principal payments of bonds	955,636	
Accrued interest payable	36,229	
Amortized debt issuance costs	3,877	
Payment of component unit debt costs	(9,174)	
Other	12,952	(24,435)
Change in net assets - governmental activities		$ 39,503

See accompanying notes to financial statements.

EXHIBIT X-7

COUNTY OF NASSAU, NEW YORK

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TOTAL BUDGETARY AUTHORITY AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2005 (Dollars in Thousands)

	Original Budget	Total Budgetary Authority	Actual	GAAP to Budgetary Basis Conversion (Note 12)	Actual on a Budgetary Basis	Variance Over (Under)
Revenues:						
Interest and Penalties on Taxes	$ 24,180	$ 24,180	$ 21,369	$	$ 21,369	$ (2,811)
Licenses and Permits	6,915	6,915	7,558		7,558	643
Fines and Forfeits	16,817	16,817	21,135		21,135	4,318
Interest Income	9,000	11,000	8,286		8,286	(2,714)
Rents and Recoveries	26,519	26,779	29,272		29,272	2,493
Tobacco Settlement Revenue	23,175	23,175	23,017		23,017	(158)
Departmental Revenue	82,741	84,925	87,270		87,270	2,345
Interdepartmental Revenue	141,466	156,501	121,599		121,599	(34,902)
Federal Aid	123,092	123,184	114,046		114,046	(9,138)
State Aid	226,352	235,784	198,745		198,745	(37,039)
Sales Tax	907,089	907,089	765,485		765,485	(141,604)
Preempted Sales Tax in Lieu of Property Taxes	57,568	57,568	57,568		57,568	
Property Taxes	112,770	115,097	119,973		119,973	4,876
Payments in Lieu of Taxes	4,500	4,500	4,298		4,298	(202)
Special Taxes	12,870	12,870	12,152		12,152	(718)
Other Revenues	12,068	12,560	16,148		16,148	3,588
Total Revenues	1,787,122	1,818,944	1,607,921		1,607,921	(211,023)
Expenditures:						
Current:						
Legislative	11,137	10,883	8,325	328	8,653	2,230
Judicial	46,253	43,954	39,791	230	40,021	3,933
General Administration	265,995	268,875	230,902	17,420	248,322	20,553
Protection of Persons	14,751	15,318	11,702	75	11,777	3,541
Health	211,742	224,480	197,873	10,548	208,421	16,059
Public Works	100,779	101,023	93,124	5,763	98,887	2,136
Recreation and Parks	5	5				5
Social Services	619,511	575,082	537,107	25,714	562,821	12,261
Corrections	226,593	218,492	211,928	1,297	213,225	5,267
Education	6,518	6,943	6,740	90	6,830	113
Payments for Tax Certiorari and Other Judgments			260,207	(260,207)		
Other	104,835	131,689	120,240	6,491	126,731	4,958
Total Expenditures	1,608,119	1,596,744	1,717,939	(192,251)	1,525,688	71,056
Excess (Deficiency) of Revenues Over (Under) Expenditures	179,003	222,200	(110,018)	192,251	82,233	(139,967)
Other Financing Sources (Uses):						
Transfers In			146,402		146,402	146,402
Transfers In of Investment Income			3,249		3,249	3,249
Transfers Out	(252,177)	(297,558)	(297,558)		(297,558)	
Transfer In from NIFA			5,783		5,783	5,783
Transfer from NIFA Tax Certiorari and Other Judgment Borrowings			252,932	(260,207)	(7,275)	(7,275)
Total Other Financing Sources (Uses)	(252,177)	(297,558)	110,808	(260,207)	(149,399)	148,159
Net Change in Fund Balance	(73,174)	(75,358)	790	(67,956)	(67,166)	8,192
Fund Balances at Beginning of Year	73,174	75,358	152,753		152,753	77,395
Fund Balances at End of Year	$	$	$ 153,543	$ (67,956)	$ 85,587	$ 85,587

See accompanying notes to financial statements.

EXHIBIT X-7

COUNTY OF NASSAU, NEW YORK

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TOTAL BUDGETARY AUTHORITY AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2004 (Dollars in Thousands)

	Original Budget	Total Budgetary Authority	Actual	GAAP to Budgetary Basis Conversion (Note 12)	Actual on a Budgetary Basis	Variance Over (Under)
Revenues:						
Interest and Penalties on Taxes	$ 23,380	$ 23,380	$ 22,682	$	$ 22,682	$ (698)
Licenses and Permits	5,597	5,597	6,050		6,050	453
Fines and Forfeits	15,441	15,441	14,477		14,477	(964)
Interest Income	8,000	8,000	5,717		5,717	(2,283)
Rents and Recoveries	29,508	29,870	29,994		29,994	124
Tobacco Settlement Revenue	23,850	23,850	23,682		23,682	(168)
Departmental Revenue	96,918	180,967	168,726		168,726	(12,241)
Interdepartmental Revenue	118,462	122,246	98,641		98,641	(23,605)
Federal Aid	112,951	120,437	125,791		125,791	5,354
State Aid	205,768	210,278	207,850		207,850	(2,428)
Sales Tax	851,906	874,306	788,888		788,888	(85,418)
Preempted Sales Tax in Lieu of Property Taxes	49,971	49,971	49,971		49,971	
Property Taxes	136,984	136,984	141,275		141,275	4,291
Payments in Lieu of Taxes	3,803	3,803	3,632		3,632	(171)
Special Taxes	13,857	13,857	12,779		12,779	(1,078)
Other Revenues	13,068	13,268	1,163		1,163	(12,105)
Total Revenues	1,709,464	1,832,255	1,701,318		1,701,318	(130,937)
Expenditures:						
Current:						
Legislative	8,613	8,179	7,629	(112)	7,517	662
Judicial	48,993	45,955	44,715	(1,903)	42,812	3,143
General Administration	234,053	234,754	208,701	12,459	221,160	13,594
Protection of Persons	12,953	12,794	11,799	(407)	11,392	1,402
Health	201,933	206,137	190,873	6,309	197,182	8,955
Public Works	106,161	96,658	87,453	6,948	94,401	2,257
Recreation and Parks	5	5		5	5	
Social Services	601,297	653,060	625,213	14,014	639,227	13,833
Corrections	191,268	202,762	193,390	(5,205)	188,185	14,577
Education	3,910	5,990	5,801		5,801	189
Payments for Tax Certiorari and Other Judgments			198,663	(198,663)		
Other	108,066	162,441	156,254	35,015	191,269	(28,828)
Total Current	1,517,252	1,628,735	1,730,491	(131,540)	1,598,951	29,784
Debt Service:						
Financing Costs	36	36				36
Total Debt Service	36	36				36
Total Expenditures	1,517,288	1,628,771	1,730,491	(131,540)	1,598,951	29,820
Excess (Deficiency) of Revenues Over (Under) Expenditures	192,176	203,484	(29,173)	131,540	102,367	(101,117)
Other Financing Sources (Uses):						
Transfers In			1,785		1,785	1,785
Transfers In of Investment Income			1,767		1,767	1,767
Transfers Out	(283,659)	(294,967)	(200,931)		(200,931)	94,036
Transfer In from SFA			2,097		2,097	2,097
Transfer In from NIFA			20,031	(17,446)	2,585	2,585
Transfer from NIFA Tax Certiorari and Other Judgment Borrowings			198,663	(190,293)	8,370	8,370
Transfer from NIFA for Escrow Agent			(9,076)	9,076		
Total Other Financing Sources (Uses)	(283,659)	(294,967)	14,336	(198,663)	(184,327)	110,640
Net Change in Fund Balance	(91,483)	(91,483)	(14,837)	(67,123)	(81,960)	9,523
Fund Balances at Beginning of Year	91,483	91,483	167,590		167,590	76,107
Fund Balances at End of Year	$	$	$ 152,753	$ (67,123)	$ 85,630	$ 85,630

See accompanying notes to financial statements.

EXHIBIT X-8

COUNTY OF NASSAU, NEW YORK

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TOTAL BUDGETARY AUTHORITY AND ACTUAL
FIRE PREVENTION, SAFETY, COMMUNICATION AND EDUCATION FUND
FOR THE YEAR ENDED DECEMBER 31, 2005 (Dollars in Thousands)

	Original Budget	Total Budgetary Authority	Actual	GAAP to Budgetary Basis Conversion (Note 12)	Actual on a Budgetary Basis	Variance Over (Under)
Revenues:						
Rents and Recoveries	$	$	$	$	$	$
Interest Income			47		47	47
Departmental Revenue	3,850	4,100	4,422		4,422	322
Interdepartmental Revenue			95		95	95
State Aid	100	200	235		235	35
Property Taxes	15,444	15,444	15,444		15,444	
Total Revenues	19,394	19,744	20,243		20,243	499
Expenditures:						
Current:						
Protection of Persons	18,953	20,088	20,041	(33)	20,008	80
Total Expenditures	18,953	20,088	20,041	(33)	20,008	80
Excess (Deficiency) of Revenues Over (Under) Expenditures	441	(344)	202	33	235	579
Other Financing Uses:						
Transfers In		250				(250)
Transfers Out	(866)	(660)	(660)		(660)	
Total Other Financing Sources (Uses)	(866)	(410)	(660)		(660)	(250)
Net Change in Fund Balance	(425)	(754)	(458)	33	(425)	329
Fund Balances at Beginning of Year	425	754	425		425	(329)
Fund Balances at End of Year	$	$	$ (33)	$ 33	$	$

See accompanying notes to financial statements.

EXHIBIT X-8

COUNTY OF NASSAU, NEW YORK

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TOTAL BUDGETARY AUTHORITY AND ACTUAL
FIRE PREVENTION, SAFETY, COMMUNICATION AND EDUCATION FUND
FOR THE YEAR ENDED DECEMBER 31, 2004 (Dollars in Thousands)

	Original Budget	Total Budgetary Authority	Actual	GAAP to Budgetary Basis Conversion (Note 12)	Actual on a Budgetary Basis	Variance Over (Under)
Revenues:						
Rents and Recoveries	$	$ 193	$ 6	$	$ 6	$ (187)
Interest Income		18	18		18	
Departmental Revenue	3,364	3,856	3,856		3,856	
Interdepartmental Revenue		2	2		2	
State Aid	100	138	138		138	
Property Taxes	17,782	17,782	17,782		17,782	
Total Revenues	21,246	21,989	21,802		21,802	(187)
Expenditures:						
Current:						
Protection of Persons	18,684	18,912	18,487	425	18,912	
Total Expenditures	18,684	18,912	18,487	425	18,912	
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,562	3,077	3,315	(425)	2,890	(187)
Other Financing Uses:						
Transfers Out	(2,886)	(3,215)	(3,215)		(3,215)	
Total Other Financing Sources (Uses)	(2,886)	(3,215)	(3,215)		(3,215)	
Net Change in Fund Balance	(324)	(138)	100	(425)	(325)	(187)
Fund Balances at Beginning of Year	324	138	325		325	187
Fund Balances at End of Year	$	$	$ 425	$ (425)	$	$

See accompanying notes to financial statements.

EXHIBIT X-9

COUNTY OF NASSAU, NEW YORK

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TOTAL BUDGETARY AUTHORITY AND ACTUAL
COUNTY PARKS AND RECREATION FUND
FOR THE YEAR ENDED DECEMBER 31, 2005 (Dollars in Thousands)

	Original Budget	Total Budgetary Authority	Actual	GAAP to Budgetary Basis Conversion (Note 12)	Actual on a Budgetary Basis	Variance Over (Under)
Revenues:						
Rents and Recoveries	$ 1,490	$ 1,490	$ 1,000	$	$ 1,000	$ (490)
Interest Income	45	45	431		431	386
Departmental Revenue	20,350	20,350	15,080		15,080	(5,270)
Property Taxes	48,294	48,294	48,294		48,294	
Special Taxes	1,225	1,225	1,091		1,091	(134)
Total Revenues	71,404	71,404	65,896		65,896	(5,508)
Expenditures:						
Current:						
Recreation and Parks	53,812	53,812	50,704	833	51,537	2,275
Total Expenditures	53,812	53,812	50,704	833	51,537	2,275
Excess (Deficiency) of Revenues Over (Under) Expenditures	17,592	17,592	15,192	(833)	14,359	(3,233)
Other Financing Sources (Uses):						
Transfers In			2,905		2,905	2,905
Transfers Out	(18,349)	(18,349)	(18,021)		(18,021)	328
Total Other Financing Uses	(18,349)	(18,349)	(15,116)		(15,116)	3,233
Net Change in Fund Balance	(757)	(757)	76	(833)	(757)	
Fund Balances at Beginning of Year	757	757	757		757	
Fund Balances at End of Year	$	$	$ 833	$ (833)	$	$

See accompanying notes to financial statements.

EXHIBIT X-9

COUNTY OF NASSAU, NEW YORK

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TOTAL BUDGETARY AUTHORITY AND ACTUAL
COUNTY PARKS AND RECREATION FUND
FOR THE YEAR ENDED DECEMBER 31, 2004 (Dollars in Thousands)

	Original Budget	Total Budgetary Authority	Actual	GAAP to Budgetary Basis Conversion (Note 12)	Actual on a Budgetary Basis	Variance Over (Under)
Revenues:						
Rents and Recoveries	$ 1,122	$ 1,122	$ 985	$	$ 985	$ (137)
Interest Income	15	15	46		46	31
Departmental Revenue	18,546	18,547	14,098		14,098	(4,449)
Property Taxes	43,577	43,577	43,577		43,577	
Special Taxes	575	575	195		195	(380)
Total Revenues	63,835	63,836	58,901		58,901	(4,935)
Expenditures:						
Current:						
Recreation and Parks	45,662	47,197	46,440	757	47,197	
Total Expenditures	45,662	47,197	46,440	757	47,197	
Excess (Deficiency) of Revenues Over (Under) Expenditures	18,173	16,639	12,461	(757)	11,704	(4,935)
Other Financing Sources (Uses):						
Transfers In		2,823	7,623		7,623	4,800
Transfers Out	(19,221)	(20,375)	(20,375)		(20,375)	
Total Other Financing Uses	(19,221)	(17,552)	(12,752)		(12,752)	4,800
Net Change in Fund Balance	(1,048)	(913)	(291)	(757)	(1,048)	(135)
Fund Balances at Beginning of Year	1,048	913	1,048		1,048	135
Fund Balances at End of Year	$	$	$ 757	$ (757)	$	$

See accompanying notes to financial statements.

EXHIBIT X-10

COUNTY OF NASSAU, NEW YORK

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TOTAL BUDGETARY AUTHORITY AND ACTUAL
POLICE DISTRICT FUND
FOR THE YEAR ENDED DECEMBER 31, 2005 (Dollars in Thousands)

	Original Budget	Total Budgetary Authority	Actual	GAAP to Budgetary Basis Conversion (Note 12)	Actual on a Budgetary Basis	Variance Over (Under)
Revenues:						
Rents and Recoveries	$ 150	$ 150	$ 95	$	$ 95	$ (55)
Licenses and Permits	1,800	1,800	1,508		1,508	(292)
Fines and Forfeits	200	200	102		102	(98)
Interest Income	65	65	113		113	48
Departmental Revenue	3,167	3,167	3,101		3,101	(66)
Interdepartmental Revenue	901	901	188		188	(713)
Federal Aid		21				(21)
State Aid		87	123		123	36
Property Taxes	309,307	309,307	309,307		309,307	
Total Revenues	315,590	315,698	314,537		314,537	(1,161)
Expenditures:						
Current:						
Protection of Persons	321,241	325,419	328,964	(3,707)	325,257	162
Total Expenditures	321,241	325,419	328,964	(3,707)	325,257	162
Excess (Deficiency) of Revenues Over (Under) Expenditures	(5,651)	(9,721)	(14,427)	3,707	(10,720)	(999)
Other Financing Sources (Uses):						
Transfers In		4,000	7,500		7,500	3,500
Transfer Out	(845)	(775)	(775)		(775)	
Total Other Financing Sources (Uses)	(845)	3,225	6,725		6,725	3,500
Net Change in Fund Balance	(6,496)	(6,496)	(7,702)	3,707	(3,995)	2,501
Fund Balances at Beginning of Year	6,496	6,496	8,852		8,852	2,356
Fund Balances at End of Year	$	$	$ 1,150	$ 3,707	$ 4,857	$ 4,857

See accompanying notes to financial statements.

EXHIBIT X-10

COUNTY OF NASSAU, NEW YORK

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TOTAL BUDGETARY AUTHORITY AND ACTUAL
POLICE DISTRICT FUND
FOR THE YEAR ENDED DECEMBER 31, 2004 (Dollars in Thousands)

	Original Budget	Total Budgetary Authority	Actual	GAAP to Budgetary Basis Conversion (Note 12)	Actual on a Budgetary Basis	Variance Over (Under)
Revenues:						
Rents and Recoveries	$ 150	$ 716	$ 632	$	$ 632	$ (84)
Licenses and Permits	1,200	1,787				(1,787)
Interest Income	10	65	71		71	6
Departmental Revenue	3,117	3,117	5,250		5,250	2,133
Interdepartmental Revenue			481		481	481
Property Taxes	301,297	301,297	301,297		301,297	
Total Revenues	305,774	306,982	307,731		307,731	749
Expenditures:						
Current:						
Protection of Persons	328,186	338,447	333,153	3,982	337,135	1,312
Total Expenditures	328,186	338,447	333,153	3,982	337,135	1,312
Excess (Deficiency) of Revenues Over (Under) Expenditures	(22,412)	(31,465)	(25,422)	(3,982)	(29,404)	2,061
Other Financing Sources (Uses):						
Transfers In			7,500		7,500	7,500
Transfer Out	(5,071)	(5,579)	(5,579)		(5,579)	
Total Other Financing Sources (Uses)	(5,071)	(5,579)	1,921		1,921	7,500
Net Change in Fund Balance	(27,483)	(37,044)	(23,501)	(3,982)	(27,483)	9,561
Fund Balances at Beginning of Year	27,483	37,044	32,353		32,353	(4,691)
Fund Balances at End of Year	$	$	$ 8,852	$ (3,982)	$ 4,870	$ 4,870

See accompanying notes to financial statements.

EXHIBIT X-11

COUNTY OF NASSAU, NEW YORK

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TOTAL BUDGETARY AUTHORITY AND ACTUAL
POLICE HEADQUARTERS FUND
FOR THE YEAR ENDED DECEMBER 31, 2005 (Dollars in Thousands)

	Original Budget	Total Budgetary Authority	Actual	GAAP to Budgetary Basis Conversion (Note 12)	Actual on a Budgetary Basis	Variance Over (Under)
Revenues:						
Licenses and Permits	$ 325	$ 325	$ 389	$	$ 389	$ 64
Rents and Recoveries	200	200	397		397	197
Interest Income	86	86	134		134	48
Departmental Revenue	13,679	14,679	15,350		15,350	671
Interdepartmental Revenue	10,665	10,665	7,824		7,824	(2,841)
Federal Aid	334	334	473		473	139
State Aid	589	589	612		612	23
Property Taxes	252,898	252,898	252,898		252,898	
Other Revenues	22,454	23,454	23,329		23,329	(125)
Total Revenues	301,230	303,230	301,406		301,406	(1,824)
Expenditures:						
Current:						
Protection of Persons	299,844	308,061	314,012	(6,452)	307,560	501
Total Expenditures	299,844	308,061	314,012	(6,452)	307,560	501
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,386	(4,831)	(12,606)	6,452	(6,154)	(1,323)
Other Financing Sources (Uses):						
Transfers In		7,285	8,608		8,608	1,323
Transfers Out	(5,218)	(6,286)	(6,286)		(6,286)	
Total Other Financing Sources (Uses)	(5,218)	999	2,322		2,322	1,323
Net Change in Fund Balance	(3,832)	(3,832)	(10,284)	6,452	(3,832)	
Fund Balances at Beginning of Year	3,832	3,832	3,832		3,832	
Fund Balances at End of Year	$	$	$ (6,452)	$ 6,452	$	$

See accompanying notes to financial statements.

EXHIBIT X-11

COUNTY OF NASSAU, NEW YORK

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TOTAL BUDGETARY AUTHORITY AND ACTUAL
POLICE HEADQUARTERS FUND
FOR THE YEAR ENDED DECEMBER 31, 2004 (Dollars in Thousands)

	Original Budget	Total Budgetary Authority	Actual	GAAP to Budgetary Basis Conversion (Note 12)	Actual on a Budgetary Basis	Variance Over (Under)
Revenues:						
Licenses and Permits	$ 430	$ 430	$	$	$	$ (430)
Rents and Recoveries	200	1,046	612		612	(434)
Interest Income	13	13	101		101	88
Departmental Revenue	13,098	13,098	14,529		14,529	1,431
Interdepartmental Revenue	5,358	5,358	2,122		2,122	(3,236)
Federal Aid	334	334	417		417	83
State Aid	589	589	1,031		1,031	442
Property Taxes	239,071	239,071	239,071		239,071	
Other Revenues	21,388	21,388	19,421		19,421	(1,967)
Total Revenues	280,481	281,327	277,304		277,304	(4,023)
Expenditures:						
Current:						
Protection of Persons	298,992	296,991	290,128	3,832	293,960	3,031
Total Expenditures	298,992	296,991	290,128	3,832	293,960	3,031
Excess (Deficiency) of Revenues Over (Under) Expenditures	(18,511)	(15,664)	(12,824)	(3,832)	(16,656)	(992)
Other Financing Sources (Uses):						
Transfers In	4,178	4,178	4,629		4,629	451
Transfers Out	(5,144)	(7,450)	(7,450)		(7,450)	
Total Other Financing Sources (Uses)	(966)	(3,272)	(2,821)		(2,821)	451
Net Change in Fund Balance	(19,477)	(18,936)	(15,645)	(3,832)	(19,477)	(541)
Fund Balances at Beginning of Year	19,477	18,936	19,477		19,477	541
Fund Balances at End of Year	$	$	$ 3,832	$ (3,832)	$	$

See accompanying notes to financial statements.

EXHIBIT X -12

COUNTY OF NASSAU, NEW YORK

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
DECEMBER 31, 2005 (Dollars in Thousands)

AGENCY FUND

		Balance December 31, 2005
ASSETS:		
Cash	$	93,072
Due From Component Unit		1,167
TOTAL ASSETS	$	94,239
LIABILITIES:		
Accounts Payable	$	3,776
Other Liabilities		90,463
TOTAL LIABILITIES	$	94,239

See accompanying notes to financial statements.

EXHIBIT X - 12

COUNTY OF NASSAU, NEW YORK

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
DECEMBER 31, 2004 (Dollars in Thousands)

AGENCY FUND

		Balance December 31, 2004
ASSETS:		
Cash	$	71,370
Investments		100
Due From Tobacco Settlement Corporation		36,976
Due From Component Unit		706
TOTAL ASSETS	$	109,152
LIABILITIES:		
Accounts Payable	$	282
Other Liabilities		108,870
TOTAL LIABILITIES	$	109,152

See accompanying notes to financial statements.

EXHIBIT X-13

COUNTY OF NASSAU, NEW YORK

STATEMENT OF NET ASSETS
ALL DISCRETELY PRESENTED COMPONENT UNITS
DECEMBER 31, 2005 (WITH THE NASSAU COMMUNITY COLLEGE AUGUST 31, 2005)
(Dollars in Thousands)

	Nassau Community College	Nassau Health Care Corporation	Nassau Regional Off-Track Betting Corp.	Nassau County Industrial Development Agency	Total
ASSETS					
CURRENT ASSETS:					
Cash and Cash Equivalents	$ 39,807	$ 12,944	$ 11,738	$ 2,314	$ 66,803
Student Accounts and Loans Receivable	5,490				5,490
Less Allowance for Doubtful Amounts	(1,872)				(1,872)
Due from Other Governments	2,921	48,867			51,788
Other Receivables	95	17,635		10	17,740
Accounts Receivable		246,123	602	28	246,753
Less Allowance for Doubtful Amounts		(153,860)			(153,860)
Inventories		4,862			4,862
Other Assets	1,269	15,924	268	7	17,468
Total Current Assets	47,710	192,495	12,608	2,359	255,172
NON CURRENT ASSETS:					
Deferred Financing Costs	3,011	4,806	532		8,349
Less Accumulated Amortization	(1,179)	(423)	(18)		(1,620)
Assets Whose Use Is limited		63,133			63,133
Capital Assets not being depreciated	3,631	13,278	2,328		19,237
Depreciable Capital Assets	199,112	374,862	35,018	67	609,059
Less Accumulated Depreciation	(90,656)	(279,133)	(11,179)	(41)	(381,009)
Leasehold Acquisition Costs			1,020		1,020
Less Accumulated Amortization			(952)		(952)
Deposits Held by Trustees	6,945				6,945
Deposits Held in Custody for Others	1,428				1,428
Total Non Current Assets	122,292	176,523	26,749	26	325,590
Total Assets	170,002	369,018	39,357	2,385	580,762
LIABILITIES					
CURRENT LIABILITIES:					
Accounts Payable	8,002	42,473	2,232	7	52,714
Accrued Liabilities		27,574	2,807		30,381
Notes Payable - Current			43		43
Due To Primary Government	4,923	34,532	475		39,930
Unearned Revenue	15,217			63	15,280
Current Portion of Long Term Liabilities	3,715	2,370	3,554		9,639
Other Liabilities	979	16,805	1,899		19,683
Total Current Liabilities	32,836	123,754	11,010	70	167,670
NON CURRENT LIABILITIES:					
Notes Payable			337		337
Serial Bonds Payable	41,500	265,049	20,355		326,904
Accrued Vacation and Sick Pay	41,551	28,430		31	70,012
Estimated Liability for Litigation	2,500	28,969			31,469
Deposits Held in Custody for Others	1,428				1,428
Insurance Reserve Liability	1,692				1,692
Deferred Bond Premium Net of Amortization	2,028				2,028
Total Non Current Liabilities	90,699	322,448	20,692	31	433,870
Total Liabilities	123,535	446,202	31,702	101	601,540
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	66,710	26,691	6,927	26	100,354
Restricted:					
Special Revenue	2,368				2,368
Capital Projects	1,748				1,748
Debt Service	6,946		728		7,674
Student Loans	501				501
Unrestricted (deficit)	(31,806)	(103,875)		2,258	(133,423)
Total Net Assets (deficit)	$ 46,467	$ (77,184)	$ 7,655	$ 2,284	$ (20,778)

See accompanying notes to financial statements.

EXHIBIT X-13

COUNTY OF NASSAU, NEW YORK

STATEMENT OF NET ASSETS
ALL DISCRETELY PRESENTED COMPONENT UNITS
DECEMBER 31, 2004 (WITH THE NASSAU COMMUNITY COLLEGE AUGUST 31, 2004)
(Dollars in Thousands)

	Nassau Community College	Nassau Health Care Corporation	Nassau Regional Off-Track Betting Corp.	Nassau County Industrial Development Agency	Total
ASSETS					
CURRENT ASSETS:					
Cash and Cash Equivalents	$ 39,627	$ 30,050	$ 3,239	$ 1,286	$ 74,202
Student Accounts and Loans Receivable	5,173				5,173
Less Allowance for Doubtful Amounts	(1,583)				(1,583)
Due from Other Governments	3,152	9,610			12,762
Other Receivables	261	5,486		1	5,748
Accounts Receivable		168,895	950	57	169,902
Less Allowance for Doubtful Amounts		(80,493)			(80,493)
Inventories		3,999			3,999
Other Assets	613	26,639	1,040	14	28,306
Total Current Assets	47,243	164,186	5,229	1,358	218,016
NON CURRENT ASSETS:					
Deferred Financing Costs	1,859	7,319			9,178
Less Accumulated Amortization		(2,637)			(2,637)
Assets Whose Use Is limited		65,123			65,123
Capital Assets not being depreciated	3,616	15,939	5,793		25,348
Depreciable Capital Assets	198,830	361,325	29,747	49	589,951
Less Accumulated Depreciation	(86,166)	(264,360)	(8,393)	(35)	(358,954)
Leasehold Acquisition Costs			1,020		1,020
Less Accumulated Amortization			(884)		(884)
Deposits Held by Trustees	5,301				5,301
Deposits Held in Custody for Others	1,866				1,866
Total Non Current Assets	125,306	182,709	27,283	14	335,312
Total Assets	172,549	346,895	32,512	1,372	553,328
LIABILITIES					
CURRENT LIABILITIES:					
Accounts Payable	7,072	35,653	2,288	22	45,035
Accrued Liabilities		15,381	3,501		18,882
Bond Anticipation Notes Payable			12,000		12,000
Notes Payable - Current			41		41
Due To Primary Government	3,444	939	2,232		6,615
Unearned Revenue	14,684			13	14,697
Current Portion of Long Term Liabilities	4,007	2,395	1,891		8,293
Other Liabilities	358	40,199	1,710		42,267
Total Current Liabilities	29,565	94,567	23,663	35	147,830
NON CURRENT LIABILITIES:					
Notes Payable			380		380
Serial Bonds Payable	48,020	265,272			313,292
Accrued Vacation and Sick Pay	42,066	25,498		24	67,588
Estimated Liability for Litigation	2,500	26,529			29,029
Deposits Held in Custody for Others	1,871				1,871
Insurance Reserve Liability	1,644				1,644
Liability for Future Pension Expense	1,334				1,334
Deferred Bond Premium Net of Amortization	1,421				1,421
Total Non Current Liabilities	98,856	317,299	380	24	416,559
Total Liabilities	128,421	411,866	24,043	59	564,389
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	64,090	30,672	8,469	14	103,245
Restricted:					
Special Revenue	2,086				2,086
Capital Projects	1,798				1,798
Debt Service	5,301				5,301
Student Loans	622				622
Unrestricted (deficit)	(29,769)	(95,643)		1,299	(124,113)
Total Net Assets (deficit)	$ 44,128	$ (64,971)	$ 8,469	$ 1,313	$ (11,061)

See accompanying notes to financial statements.

EXHIBIT X-14

COUNTY OF NASSAU, NEW YORK

STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS - PROPRIETARY
FOR THE YEAR ENDED DECEMBER 31, 2005 (WITH THE NASSAU COMMUNITY COLLEGE AUGUST 31, 2005)
(Dollars in Thousands)

	Nassau Community College	Nassau Health Care Corporation	Nassau Regional Off-Track Betting Corp.	Nassau County Industrial Development Agency	Total
Expenses	$ 173,936	$ 467,226	$ 77,502	$ 420	$ 719,084
Program Revenues:					
Charges for Services	46,689	453,829	72,182	1,346	574,046
Operating Grants and Contributions	129,305				129,305
Capital Grants and Contributions			1,091		1,091
Total Program Revenues	175,994	453,829	73,273	1,346	704,442
Net (Expenses) Program Revenues	2,058	(13,397)	(4,229)	926	(14,642)
General Revenues (Expenses):					
Investment Income	248	2,078	299	45	2,670
Other	33	(894)	3,116		2,255
Net General Revenues (Expenses)	281	1,184	3,415	45	4,925
Change in Net Assets	2,339	(12,213)	(814)	971	(9,717)
Net Assets - Beginning of Year	44,128	(64,971)	8,469	1,313	(11,061)
Net Assets - End of Year	$ 46,467	$ (77,184)	$ 7,655	$ 2,284	$ (20,778)

See accompanying notes to financial statements.

EXHIBIT X-14

COUNTY OF NASSAU, NEW YORK

STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS - PROPRIETARY
FOR THE YEAR ENDED DECEMBER 31, 2004 (WITH THE NASSAU COMMUNITY COLLEGE AUGUST 31, 2004)
(Dollars in Thousands)

	Nassau Community College	Nassau Health Care Corporation	Nassau Regional Off-Track Betting Corp.	Nassau County Industrial Development Agency	Total
Expenses	$ 173,209	$ 476,046	$ 73,558	$ 599	$ 723,412
Program Revenues:					
Charges for Services	40,375	457,429	68,870	941	567,615
Operating Grants and Contributions	127,772				127,772
Capital Grants and Contributions	400		1,123		1,523
Total Program Revenues	168,547	457,429	69,993	941	696,910
Net (Expenses) Program Revenues	(4,662)	(18,617)	(3,565)	342	(26,502)
General Revenues (Expenses):					
Investment Income	149	4,657	48	9	4,863
Other	(1,239)	(4,678)	2,734		(3,183)
Net General Revenues (Expenses)	(1,090)	(21)	2,782	9	1,680
Change in Net Assets	(5,752)	(18,638)	(783)	351	(24,822)
Net Assets - Beginning of Year	49,880 *	(44,697)	9,252	962	15,397
Cumulative Effect of Change in Accounting Principle		(1,636)			(1,636)
Net Assets - End of Year	$ 44,128	$ (64,971)	$ 8,469	$ 1,313	$ (11,061)

* As restated to include the College's component units as of September 1, 2003 (See Note 1)

See accompanying notes to financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity - The County of Nassau (the "county"), incorporated in 1899, contains three towns, two cities and 64 incorporated villages. In conformance with the Governmental Accounting Standards Board ("GASB") Statement No. 14, *The Financial Reporting Entity*, these financial statements present the county (the primary government) which includes all funds, elected offices, departments and agencies of the county, as well as boards and commissions, since the county is financially accountable for these and its legally separate component units. A primary government is financially accountable for a component unit if its officials appoint a voting majority of the organization's governing body, and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government, or the organization is fiscally dependent upon the primary government as defined by GASB No. 14. The Nassau County Interim Finance Authority (NIFA) is included, because exclusion would be misleading. The county continuously assesses the need to include various organizations within the county whose status as a component unit may change due to financial dependence, legislative developments or level of influence the county may exercise over such entity.

Discretely Presented Component Units - Financial data of the county's component units that are not part of the primary government is reported in the component unit's column in the government-wide financial statements, to emphasize that these component units are legally separate from the county. They include the following:

(a) *The Nassau Community College* (the "College") provides educational services under New York State Education Law. It is reported as a component unit - governmental as the county appoints its governing body, the county approves its budget, issues debt for College purposes and provides approximately 27% of the College's revenues through a countywide real property tax levy. The College has authority to enter into contracts under New York State Education Law and to sue and be sued. *The College is presented in accordance with policies prescribed by the Governmental Accounting Standards Board ("GASB"): Statement No.35, Basic Financial Statements – and Management's Discussion and Analysis for Public Colleges and Universities*, and in accordance with the New York State Education Law. Therefore, the College is discretely presented. This component unit is presented as of and for its fiscal years ended August 31, 2005 and 2004, respectively.

Financial Reporting Entity – GASB Statement No. 39, an amendment of GASB Statement No. 14, was issued and became effective for the year ended August 31, 2005. This statement provided additional guidance in determining whether certain organizations for which the primary government is not financially accountable should be reported as component units based on the nature and significance of their relationship with the primary government. As a result of this statement, the College's financial statements include two component units as of August 31, 2005.

These financial statements present the College (the primary government) and its component units, the Nassau Community College Foundation, Inc. and the Faculty-Student Association of Nassau Community College, Inc. As defined in GASB Statement No. 39, component units are legally separate entities that are included in the College's reporting entity because of the significance of their operating or financial relationships with the College. The College has elected to include the financial statements of the component units, even though the amounts reported in the component units' financial statements are not significant to the reporting entity.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Discretely Presented Component Units (Continued)

Each component unit is reported separately to emphasize that they are legally separate from the primary government. Each of the College's discretely presented component units has a fiscal year end of August 31st, the same as that of the College.

(b) *Nassau Health Care Corporation* (the "NHCC") is a public benefit corporation created in 1997 by an act of the New York State Legislature for the purpose of acquiring and operating the health facilities of Nassau County, State of New York. Effective September 29, 1999 (the "Transfer Date"), a transaction was executed which transferred ownership of the county health facilities to the NHCC. Concurrent with the transaction, $259.7 million of Nassau Health Care Corporation Health System Revenue Bonds, Series 1999 were issued. During 2004, $303,355,000 of Nassau Health Care Corporation Bonds, Series 2005 were issued to refund the Corporation's Revenue Bond Series 1999, fund certain capital projects and provide working capital. The bonds are insured and guaranteed by the county. NHCC is fiscally dependent on the county should certain NHCC debt service reserve funds fall below their requirements. NHCC is considered to be a component unit of the county and is presented as a proprietary type component unit on the accrual basis of accounting.

Effective January 1, 2004, the Corporation changed its method of accounting for its investment in a limited liability company (LLC) through the adoption of Financial Accounting Standards Board Emerging Task Force Issue 03-16, *Accounting for Investments in Limited Liability Companies*. As a result, the Corporation's investment in the LLC is now accounted for using the equity method.

The Board of the NHCC consists of fifteen voting and three nonvoting Directors. Eight voting Directors are appointed by the Governor, four by the County Legislature and three by the County Executive. The nonvoting Directors are the Chief Executive Officer of NHCC, one individual appointed by the County Executive and one individual appointed by the County Legislature. The directors serve varying initial terms of two to four years and will serve five-year terms after the expiration of the initial terms. The County Executive selects one of the voting directors as Chairman of the Board.

(c) *The Nassau Regional Off-Track Betting Corporation* (the "OTB") was created by the New York State Legislature as a public benefit corporation. It is reported as a component unit as the County Legislature appoints its governing body and receives 4.375% of wagers made at Nassau County racetracks and all net operating profits from OTB. These revenues are recorded in the county's General Fund. The OTB is shown as a proprietary type component unit, and is presented on the accrual basis of accounting for its fiscal year ended December 31, 2005 and 2004, respectively.

(d) *The Nassau County Industrial Development Agency* (the "NCIDA") is a public benefit corporation established pursuant to the New York State General Municipal Law. The NCIDA's purpose is to arrange long-term low interest financing with the intent of developing commerce and industry in the county. It is reported as a component unit as the county appoints its governing body and may remove the NCIDA board at will. The county provides support to the NCIDA in the form of employees and facilities. Support expenditures are included in the county's General Fund under personal services. The NCIDA has sole authority for establishing administrative and fiscal policy in the pursuit of its objectives. The county is not liable for any obligations or deficits the NCIDA may incur, nor does it share in any surpluses. The NCIDA is shown as a proprietary type component unit and is presented on the accrual basis of accounting for its fiscal year ended December 31, 2005 and 2004, respectively.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Blended Component Unit

(a) *Nassau County Interim Finance Authority* ("NIFA") is included as a blended component unit of the county's primary government pursuant to GASB No. 14 because exclusion would be misleading. It acts as a temporary financial intermediary to the county and is authorized to act as an oversight authority to the county under certain circumstances. It reports using the governmental model and its funds are reported as part of the county's special revenue funds, debt service funds and capital projects funds.

The Nassau County Interim Finance Authority is a corporate governmental agency and instrumentality of the State of New York (the "State") constituting a public benefit corporation created by the Nassau County Interim Finance Authority Act, Chapter 84 of the Laws of 2000, as supplemented by Chapter 179 of the Laws of 2000 and as may be amended from time to time, including but not limited to Chapter 528 of the laws of 2002, and Chapters 314 and 685 of the Laws of 2004 (the "Act"). The Act became effective June 23, 2000.

The Authority is governed by seven directors, each appointed by the Governor, including one each appointed upon the recommendation of the Majority Leader of the State Senate, the Speaker of the Assembly and the State Comptroller. The Governor also designates the chairperson and vice-chairperson from among the directors. At present three Director's position are vacant.

The Authority has power under the Act to monitor and oversee the finances of Nassau County, and upon declaration of a "Control Period" as defined in the Act, additional oversight authority. The Authority is also empowered to issue its bonds and notes for various county purposes, defined in the Act as "Financeable Costs". The Act authorizes the issuance of bonds and notes, without limit, to finance capital projects and cash flow needs of the county, as well as, to the extent authorized by State law, any county deficit. In addition, the Authority may issue bonds up to the limits as currently set forth in the Act, exclusive of any bonds issued to finance reserves, capitalized interest or costs of issuing such obligations, to refinance any county's indebtedness (up to $415,000,000); to refinance only tax certiorari settlements or assignments of any kind to which the county is a party (up to $790,000,000); and to finance tax certiorari judgments and settlements of the county (up to $400,000,000 if the proceeding commenced before June 1, 2000 and up to $400,000,000, in aggregate, for proceedings commenced between June 1, 2000 and December 31, 2007, however only $15 million can be issued in 2006, and $10 million in 2007. Bonds issued to refund bonds theretofore issued for purposes subject to the debt limits described above are not counted against such limits. The Act currently provides that the Authority may not issue bonds or notes after 2005, other than to retire or otherwise refund Authority debt and as discussed above to finance up to $25 million for tax certiorari judgments in 2006 and 2007. No bond of the Authority may mature later than January 31, 2036 or more than 30 years from its date of issuance.

Revenues of the Authority ("Revenues") consist of sales tax revenues, defined as net collections from sales and compensating use taxes, penalties and interest authorized by the State and imposed by the county on the sale and use of tangible personal property and services in the county ("Sales Tax Revenues"), and investment earnings on money and investments on deposit in various Authority accounts. Sales Tax Revenues collected by the State Comptroller for transfer to the Authority are not subject to appropriation by the State or county. Revenues of the Authority that are not required to pay debt service, operating expenses and other costs of the Authority are payable to the county as frequently as practicable.

(b) *The Nassau County Tobacco Settlement Corporation* ("NCTSC") is a special purpose local development corporation organized under the Not-for-Profit Corporation Law of the State of New York and is an instrumentality of, but separate and apart from Nassau County (the "county"). Although legally separate and

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Blended Component Unit (Continued)

independent of Nassau County, NCTSC is considered an affiliated organization under Governmental Accounting Standards Board Statement No. 39 *"Determining whether Certain Organizations are Component Units"* and reported as a component unit of the county for county financial reporting purposes and, accordingly, is included in the county's financial statements.

The board of directors of NCTSC has three members, one of which must meet certain requirements of independence: (i) one elected by the County Legislature, (ii) one, who must be the County Treasurer, *ex officio*, designated by the County Executive and (iii) one selected by (i) and (ii). Currently only two positions are occupied.

On November 23, 1999, NCTSC entered into a Purchase and Sale Agreement dated as of October 1, 1999 with the county pursuant to which NCTSC acquired from the county all of the county's right title and interest under the Master Settlement Agreement (the "MSA") and the Consent Decree and Final Judgment (the "Decree"). These rights include the county's share of all Tobacco Settlement Revenues received after November 23, 1999 and in perpetuity to be received under the MSA and the Decree. The consideration paid by NCTSC to the county for such acquisition consisted of $247,500,000 cash (of which $77,500,000 was paid into escrow for the benefit of the county) and the sole beneficial interest in NCTSC Residual Trust, a Delaware business trust to which NCTSC has conveyed a residual interest in all the Tobacco Settlement Revenues, annually received in excess of those required to pay debt service on the Series A Bonds (the "Residual"). NCTSC's right to receive Tobacco Settlement Revenues is its most significant asset and is expected to produce funding for all its obligations.

(c) *The Nassau County Sewer and Storm Water Finance Authority* ("NCSSWFA") is a public benefit corporation established in 2003 by the State of New York under the Nassau County Sewer and Storm Water Finance Authority Act, codified as Title-10of Article 5 of the Public Authorities Law of the State. The NCSSWFA was established for the purpose of refinancing outstanding sewer and storm water resources debt issued by or on behalf of the county and financing future county sewer and storm water resources projects. The NCSSWFA may issue debt in an amount up to $350,000,000 for such purposes (exclusive of debt issued to refund or otherwise repay the NCSSWFA debt).

The NCSSWFA has acquired all of the sewer and storm water resources facilities, buildings, equipment and related assets other than land of the county pursuant to a Financing and Acquisition Agreement dated as of March 1, 2004 by and between the NCSSWFA and the county. The NCSSWFA is to pay for the assets acquired in installments by undertaking to pay debt service on outstanding bonds issued by or on behalf of the county originally issued to finance the assets acquired ("County Bonds"). In addition, as part of such purchase price, the NCSSWFA may, at the request of the county, refinance County Bonds. Most of the NCSSWFA's revenues are derived through the imposition by the county of assessments for sewer and storm water resources services. The county has directed each city and town receiver of taxes to pay all such assessments directly to the trustee for the NCSSWFA's bonds. The NCSSWFA retains sufficient funds to service all debt (including County Bonds), and pay its operating expenses. Excess funds are remitted to the Nassau County Sewer ands Storm Water Resources District (the "District"). The District is responsible for the operations of the county's sewerage and storm water resources services.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Blended Component Unit (Continued)

In 2004, the NCSSWFA completed its first two financings on behalf of the county, the proceeds of which were used to refinance certain outstanding County Bonds.

Complete financial statements of the individual component units can be obtained from their respective administrative offices:

Nassau Community College
One Education Drive
Garden City, New York 11530

Nassau Regional Off-Track Betting Corp.
220 Fulton Avenue
Hempstead, New York 11550

Nassau County Industrial Development Agency
1550 Franklin Avenue
Mineola, New York 11501

Nassau Health Care Corporation
2201 Hempstead Turnpike
East Meadow, New York 11554

Nassau County Interim Finance Authority
170 Old Country Road
Suite 205
Mineola, New York 11501

Nassau County Tobacco Settlement Corporation
240 Old Country Road
Mineola, New York 11501

Nassau County Sewer and Storm Water Finance Authority
240 Old Country Road
Mineola, New York 11501

In accordance with GASB Statement No.20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the county applies all applicable GASB pronouncements and only Financial Accounting Standards Board ("FASB") Statements and Interpretations issued on or before November 30, 1989 that do not conflict with GASB pronouncements.

The county prepares its financial statements in accordance with GASB Statement No. 34 (as amended by Statement No. 37), which represents a very significant change in the financial reporting model used by state and local governments. Statement No. 34 requires government-wide financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements do not provide information by fund or account group, but distinguish between the county's governmental activities and activities of its discretely presented component units on the statement of net assets and statement of activities. Significantly, the county's statement of net assets includes both noncurrent

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Blended Component Unit (Continued)

assets and noncurrent liabilities of the county, which were previously recorded in the General Fixed Assets Account Group and the General Long-term Obligations Account Group. In addition to the capital assets previously recorded in the General Fixed Assets Account Group, the county retroactively capitalized infrastructure assets that were acquired beginning with fiscal year ended December 31, 1980. In addition, the government-wide statement of activities reflects depreciation expenses on the county's capital assets, including infrastructure.

In addition to the government-wide financial statements, fund financial statements, continue to be reported using the modified accrual basis of accounting and the current financial resources measurement focus. Accordingly, the accounting and financial reporting for the county's General Fund, NIFA General Fund, Debt Service Fund, County Parks and Recreation Fund, Fire Prevention, Safety, Communication and Education Fund, Police District Fund and Police Headquarters Fund is similar to that previously presented in the county's financial statements, although the format of financial statements has been modified by Statement No. 34.

Statement No. 34 also requires supplementary information. Management's Discussion and Analysis includes an analytical overview of the county's financial activities. In addition, a budgetary comparison statement is presented that compares the adopted and modified General Fund, Major Special Revenue Funds and Nonmajor Special Revenue Funds' budgets with actual results.

The Nassau Community College prepares its financial statements in accordance with GASB No. 35, "*Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*".

Statement No. 38 requires certain disclosures to be made in the notes to the financial statements concurrent with the implementation of Statement No. 34. While this Statement did not affect amounts reported in the financial statements of the county, certain note disclosures have been added and or amended including descriptions of activities of major funds, violations of legal or contractual provisions, future debt service and lease obligations in five year increments, short-term obligations, interest rates, and interfund balances and transactions.

The accounting policies of the County of Nassau conform to accounting principles generally accepted in the United States of America ("GAAP") as applicable to governments. The following is a summary of the more significant policies:

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. BASIS OF PRESENTATION

Government-wide Statements: The government-wide financial statements, *i.e.* the statement of net assets and the statement of activities, display information about the primary government and its component units. These statements include the financial activities of the overall government except for fiduciary activities. Eliminations of internal activity have been made in these statements. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. All of the activities of the county as primary government are governmental activities.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the county's governmental activities. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (i) charges for services such as rental revenue from operating leases on buildings, lots, etc (ii) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes and other revenues not properly included among program revenues are reported as general revenues.

Fund Financial Statements: The fund financial statements provide information about the county's funds, including fiduciary funds and blended component units. Separate statements for the governmental and fiduciary fund categories are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The county uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. Funds are classified into three categories: governmental, fiduciary, and proprietary. There are no proprietary funds at the county. Each category, in turn, is divided into separate ''fund types.''

The county reports the following major governmental funds:

General Fund - The general fund is the general operating fund of the county through which the county provides most countywide services. Its principal sources of revenue are the countywide real property tax, other local taxes and charges, departmental revenues, and Federal and State aid.

NIFA General Fund – This fund accounts for sales tax revenues received by NIFA and for general operating expenses of NIFA. Short term borrowings of NIFA are also accounted for in its General Fund except for those bond anticipation notes intended to be refinanced with long term obligations, which are accounted for in the NIFA's Capital Fund.

Debt Service Funds - The debt service fund is established to account for the payment of the principal of and interest on outstanding bonds and other long-term obligations of the county.

Fire Prevention, Safety, Communication and Education Fund – This fund is used to enforce the Nassau County Fire Prevention Ordinance, coordinate services to the County's Volunteer Fire Departments, investigate arson and provide education at the EMT Academy. Revenues are raised primarily through a special property tax levied on a county-wide basis.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. BASIS OF PRESENTATION (Continued)

County Parks and Recreation Fund – This fund has been established to maintain parks, museums and all recreational facilities. The principal sources of revenue in this fund are user fees and through a special real property tax levied on a county-wide basis.

Police District Fund - This fund is used to provide police services to those areas of the county that do not maintain their own local police forces. Revenues are raised principally through a special real property tax levied only in those areas served by the county police. This fund does not include Police Department headquarters expenses which are funded through the Police Headquarters Fund.

Police Headquarters Fund - This fund is used to record all the costs of police headquarters. Revenues are raised principally through a special real property tax levied on a countywide basis. The Police Department headquarters services the entire county with all police services that the local police departments cannot provide.

Additionally, the county reports the following fund type:

Fiduciary Fund - The fiduciary fund is an agency fund used to account for resources received and held by the county as the agent for others. These resources include among other things, withholdings for payroll taxes and garnishments. Use of this fund facilitates the discharge of responsibilities placed upon the county by law or other authority. Individual accounts are maintained for all other escrow-type and fiduciary accounts required by law or other authority in administering such monies received by the county.

New Accounting Standards

The county has implemented Governmental Accounting Standards Board ("GASB") Statement No. 40, *Deposit and Investment Risk Disclosure,* an amendment of GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*. The county has determined that there is no impact from Statement No. 40 on its financial position and results of operations resulting from this adoption.

The county has implemented GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. The county reviews long-lived assets for impairment when events or circumstances indicate that the carrying amount may not be recoverable. The county records the appropriate loss when assets are disposed of or are determined to be impaired.

The county has not completed the process of evaluating the impact that will result from adopting Statement of Governmental Accounting Standards No. 45, *Accounting and Financial Reporting by Employers for Post employment Benefits Other Than Pensions;* and Statement of Governmental Accounting Standards No. 46, *Net Assets Restricted by Legislation an amendment of GASB Statement No. 34* ("GASB 46"), as discussed in Note 1. The county is therefore unable to disclose the impact that adopting Statement of Governmental Accounting Standards No. 45 and No. 46 will have on its financial position and results of operations when such statements are adopted.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. BASIS OF ACCOUNTING AND MEASUREMENT FOCUS

The basis of accounting determines when transactions are reported on the financial statements. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the county either gives or receives value without directly receiving or giving equal value in exchange, include, for example sales and property taxes, grants, and donations. On an accrual basis, revenue from sales taxes is recognized when the underlying 'exchange' transaction takes place. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

All discretely presented component units-proprietary funds are accounted for on a flow of economic resources measurement focus.

Governmental funds are accounted for on the modified accrual basis of accounting. Governmental fund revenues are recognized in the accounting period in which they become susceptible to accrual (i.e., both measurable and available to finance expenditures of the fiscal period). Revenue items accrued are property taxes and sales taxes, provided the revenue is collected within 60 days of the fiscal year end; and reimbursable amounts from Federal and State supported programs, provided the revenue is collected within one year of year end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, with the following exceptions that are in conformity with accounting principles generally accepted in the United States of America: general long-term obligation principal and interest are reported only when due, vacation and sick leave when paid, pension costs when due, and judgments and claims when settled. Discretely presented component units-proprietary funds are accounted for on the accrual basis of accounting. Their revenues are recognized in the period earned and expenses are recognized in the period incurred. Proprietary funds' unbilled services receivable are recognized as revenue.

The fiduciary fund is accounted for on the accrual basis of accounting for the purpose of asset and liability recognition.

Transfers among funds are recognized in the accounting period in which the interfund receivable and payable arise.

Nassau Community College - The College reports as a special purpose government engaged only in business type activities as defined in GASB Statement No. 35 "*Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*".

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. BUDGETS AND BUDGETARY ACCOUNTING

An appropriated budget is legally adopted for each fiscal year for the General Fund, Debt Service Fund and each of the Special Revenue Funds, with the exception of NIFA, NCSSWFA, NCTSC and the Grant Fund. NIFA funds consist of sales tax revenues collected by the State Comptroller and transferred to the fund and are not subject to appropriation by the State or county. NCTSC Funds consist of Tobacco Settlement Revenues received annually as a result of a Master Settlement Agreement between the Tobacco Settlement Corporation and Tobacco Manufacturing Companies. The Grant Funds are appropriated for the life of specific grants, not for annual fiscal periods. Accordingly, the Grant Funds are excluded from the Combined Statement of Revenues, Expenditures, and Changes in Fund Balance presented for budgeted special revenue funds. The budget amounts as shown include prior year encumbrances carried forward as well as current year authorizations. In the case of the Grant Fund, an appropriated budget is legally adopted for the life of each grant as it is received. The County Legislature also authorizes and rescinds spending and financing authority in a Capital Budget. Each project authorized has continuing budget authority until the project is completed or rescinded. All appropriated budgets are adopted by ordinance of the County Legislature on the same modified accrual basis of accounting used to report revenues and expenditures except that appropriations are not provided for certain interfund indirect costs and encumbrances are treated as charges to appropriations when incurred. All supplemental appropriations amending appropriated budgets as originally adopted are also provided by ordinance of the Legislature. During the fiscal years ended December 31, 2005 and 2004, supplemental appropriations for the General Fund, Debt Service Fund and for the Special Revenue Funds and appropriation budgets for the Grant Fund were adopted and are included in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budgeted Funds as follows (dollars in thousands):

	2005		2004	
Supplemental Appropriations:				
General Fund	$ 31,822		$ 122,791	
Police District	4,107		11,009	
Police Headquarters	9,286		846	
Fire Prevention, Safety, Communication and Education	1,362		743	
County Parks and Recreation	2,823		2,823	
Debt Service Fund	50,792		9,935	
Nonmajor Governmental	5,200		-	
Total supplemental appropriations		$ 105,392		$ 148,147
Grant Fund appropriated budgets		97,585		147,201
Total supplemental appropriations and Grant Fund appropriated budgets		$ 202,977		$ 295,348

Appropriations which have not been expended or encumbered by the end of the fiscal period lapse at that time.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. BUDGETS AND BUDGETARY ACCOUNTING (Continued)

The county follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The proposed budget must be presented to the County Legislature and NIFA not later than September 15. (For the College, the proposed budget is submitted on or before the second Monday in July for the fiscal year commencing the following September 1.) The appropriated budgets include proposed expenditures and the means of financing them.

2. Public hearings are conducted to obtain taxpayer comments.

3. Budgets must be adopted by the County Legislature no later than October 30 of the prior year. (For the College, the budget is legally enacted on or before the third Monday in August.)

4. The appropriated budget can be legally amended by the County Legislature subsequent to its initial adoption. Proposed amendments can be submitted by the County Executive to the Legislature at any time during the fiscal year. These proposed amendments are then voted on by the Legislature at the next available meeting. Amendments which are legally approved by the Legislature are immediately reflected in the operating appropriated budget.

5. Formal budgetary integration is employed as a management control device during the year for the governmental funds. The legal level of budgetary control is exercised at the object appropriation level within a departmental control center. The County Legislature must approve all transfers and supplemental appropriations at this level.

D. ENCUMBRANCES

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the governmental funds. Encumbrances outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities.

E. CASH AND INVESTMENTS

Cash includes amounts in demand deposits as well as short-term investments with original maturities of three months or less from the date acquired by the county. Investments are carried at cost, which approximates market, and are fully collateralized in accordance with the New York State Local Finance Law (the Law").

During the course of the 2005 and 2004 fiscal years, the county and the county on behalf of the College, discontinued investing in repurchase agreements and instead maintained approximately $510 million and $600 million of the total cash and cash equivalents of $638.1 million and $880.8 million in money market interest bearing bank accounts at rates averaging 4.1% and 2% annually for the years ended December 31, 2005 and 2004, respectively.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. CAPITAL ASSETS

All capital assets which are acquired or constructed for general governmental purposes are reported as expenditures in the fund that finances the asset acquisition and are accounted for and reported in the government-wide financial statements, as capital assets, if they meet the county's capitalization criteria. These statements also contain the county's infrastructure elements that are now required to be capitalized under GAAP. Infrastructure assets include public domain assets such as roads, bridges, streets, sidewalks, curbs and gutters, drainage systems, lighting systems, and the like. Real property acquired in 1984 and prior (except for infrastructure assets) is recorded at historical cost based on an appraisal performed in 1984. Real property acquired after 1984 as well as all infrastructure assets are recorded at historical cost. Capital leases are classified as capital assets in amounts equal to the lesser of the fair market value or the present value of net minimum lease payments at the inception of the lease. Equipment with a unit cost of $5,000 or more is included in the financial statements as general capital assets of the county. Electronic equipment valued at a unit cost of $500 or more and all other equipment valued at $1,000 or more is inventoried and recorded for internal control purposes. Donated capital assets, if material, are stated at their fair market value as of the date of the donation.

G. DEPRECIATION

Depreciation is defined by the AICPA as a method of accounting which aims to distribute the cost or value of tangible capital assets, less any salvage value, over the estimated useful life of the assets in a systematic and rational manner. GASB 34 states that capital assets should be depreciated over their estimated useful lives, unless they are inexhaustible. Pursuant to GASB 34, accumulated depreciation is reported for land improvements, buildings, equipment and infrastructure. (The county's land improvements consist of exhaustible capital assets such as swimming pools, parking lots, and playgrounds.) Land, which is an inexhaustible asset, and construction in progress are not depreciated. Land improvements, buildings, equipment, and infrastructure are depreciated, using straight-line method of depreciation, over their estimated useful lives of 20 years for land improvements, 40 years for buildings, and 3 to 25 years for equipment and 15 to 40 years for infrastructure. Capital lease assets are amortized over the term of the lease or the life of the asset, whichever is less.

Depreciation is recorded by the proprietary type entities, as follows:

Nassau Community College - Depreciation on buildings, land improvements and infrastructure, and equipment is calculated using the straight line method over the assets' estimated useful lives, ranging from 5 to 50 years. Library books totaling approximately 176,507 volumes and audiovisual items are not depreciated.

Nassau Health Care Corporation - Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed using the straight–line method. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring these assets.

Nassau Regional Off-Track Betting Corporation - For capital improvement assets, depreciation and amortization is recorded over the assets' estimated useful lives using the straight-line method

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. DEPRECIATION (Continued)

(4 to 20 years) and is charged directly against the assets. No charge to operations is recorded. For all other assets, depreciation and amortization are computed on the straight-line method and charged to operations over the assets' estimated useful lives (4 to 20 years). Leasehold improvements are amortized over their estimated useful lives, or the remaining term of the leases, exclusive of renewal options.

Nassau County Industrial Development Agency - Depreciation is calculated on the straight-line basis over an estimated useful life of five years, utilizing the half-year convention.

Nassau County Sewer and Storm Water Finance Authority - Capital assets are depreciated over their economic useful life using straight-line method.

H. RESERVES

Portions of governmental fund equity are reserved for specific purposes, and are therefore not available as spendable resources.

I. ACCUMULATED UNPAID VACATION, SICK PAY, AND OTHER EMPLOYEE BENEFITS

County employees receive vacation time, sick leave, and other benefits pursuant to the labor contract or county ordinance covering their terms of employment. The cash value of these accumulated unpaid employee benefits and the related employer costs (e.g. Social Security) has been accrued and reported with other long-term liabilities in the government-wide financial statements of net assets. The compensated absences for the governmental funds are treated as long term as they will not be liquidated with expendable available financial resources. For those employees who have retired prior to December 31, 2005, any accumulated and unpaid benefits as of that date have been recorded in the government-wide financial statements of net assets.

J. GRANTS AND OTHER INTERGOVERNMENT REVENUES

Federal and State grants and assistance awards made on the basis of entitlement periods are recorded as intergovernmental receivables and revenues when entitlement occurs. All other Federal and State reimbursement type grants are recorded as intergovernmental receivables and revenues when the related expenditures or expenses are incurred.

K. REAL PROPERTY TAX

County real property taxes are levied on or before the third Monday in December and recorded as a receivable on January 1, the first day of the fiscal year. They are collected in two semiannual installments, payable on January 1 and July 1 by the town and city receivers of taxes together with the town and city tax levies, all of which become a lien on January 1. At year-end, adjustments are made for taxes that are estimated to be uncollectible, or collectible but not available soon enough in the next year to finance current period expenditures. The town receivers of taxes likewise collect real property taxes for all towns, school districts and special districts in the county, and return to the county after June 1 any uncollected taxes receivable. Pursuant to the Nassau County Administrative Code, the county assumes the burden of such uncollected taxes, and has the responsibility for their collection from the taxpayers.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. REAL PROPERTY TAX (Continued)

The New York State constitutional limit of real property taxation for counties is set at two percent of the average full valuation of real estate for the five years preceding the current year for general government services other than the payment of principal and interest on its long-term debt. The constitutional tax limit controlling the levy of county real property taxes for 2005 and 2004 fiscal years was $3.2 billion and $2.8 billion respectively. The constitutional tax margin was $2.4 billion or approximately 75.37% in 2005 and $2.0 billion or approximately 72% in 2004.

Property tax revenue is recognized in the year for which it is levied provided that it is payable and collected before the current fiscal year-end, or within 60 days thereafter in order to be available to pay for liabilities of the current fiscal year and property tax revenue not so available is presented as deferred revenue for the fund financial statements. Additionally, the government-wide financial statements recognize real estate tax revenue which is not available to the governmental fund type in the fiscal year for which the taxes are levied.

L. INTERFUND TRANSACTIONS

During the course of normal operations, the county has numerous transactions among funds, including transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. The General Fund provides administrative and other services to other funds. Amounts charged to the users for these services are based on the county's cost allocation plan and are treated as revenues in the General Fund and as expenditures or operating expenses in the user funds.

M. NOTES PAYABLE

Tax anticipation notes and revenue anticipation notes are generally recorded as fund liabilities in the fund receiving the proceeds. Bond anticipation notes are classified as fund liabilities in the funds receiving the proceeds unless all legal steps have been taken to refinance the notes and the intent is supported by an ability to consummate refinancing the short-term note on a long-term basis at which time they are recorded in the government-wide financial statement of net assets.

N. LONG-TERM LIABILITIES

For long-term liabilities, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. All long-term liabilities are reported in the government-wide financial statement of net assets. Long-term liabilities expected to be financed from discretely presented component unit operations are accounted for in those component unit financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. ISSUANCE COSTS

In the governmental fund types, issuance costs are recognized as expenditures in the period incurred. Issuance costs recorded in the government-wide financial statements units are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Bond discounts are presented as a reduction of the face amount of bonds payable, whereas issuance costs are recorded as deferred charges.

P. CLAIMS AND CONTINGENCIES

The county is self-insured with respect to risks including, but not limited to, property damage, personal injury, and workers' compensation. In the fund financial statements, expenditures for judgments and claims and workers' compensation are recorded when paid. In the government-wide financial statements the estimated liability for all judgments and claims is recorded as a liability.

Q. RECLASSIFICATIONS

Certain reclassifications are made to the 2004 financial statements to conform to the 2005 presentation. Reclassifications from the prior year include the presentation of capital assets. In 2005, capital assets that are being depreciated are reported separately from capital assets that are not being depreciated.

R. USE OF ESTIMATES

In 2001, the county hired an outside accounting firm to perform a more detailed review of the outstanding property tax liabilities resulting from tax appeals. As a result, the county revised their estimate to approximately $325 million in 2002. In 2004 and 2005, the county further tailored its estimate assumptions. The estimates as of December 31, 2005 and 2004, respectively, were approximately $131 and $311 million and are reflected in the 2005 government-wide financial statements. The decrease of $179 million was primarily the result of payments of over $250 million made during the year.

2. DEPOSITS AND INVESTMENTS

In accordance with General Municipal Law of the State of New York, the county may invest in certificates of deposits, money market and time deposit accounts, repurchase agreements, obligations of the United States Government and obligations of the State of New York and its various municipal subdivisions.

Deposits - As required by law, all cash deposits and cash equivalents are required to be fully collateralized or insured. At December 31, 2005 and 2004, the carrying amount of the county's deposits including certificates of deposit reported as investments was approximately $638.1 and $880.8 million, respectively and the bank balance was $538.1 and $602.8 million, respectively. The bank balance was covered by Federal depository insurance or by collateral consisting of obligations of the United States Government held by the county's agent in the county's name.

Investments - To the extent authorized by law, in prior years the county has invested in repurchase agreements and certificates of deposit with various commercial banks and investment firms as approved by the New York State Comptroller. Repurchase agreements and certificates of deposit are collateralized by obligations of the United States Government. During the course of the 2005 and 2004 fiscal years, the county discontinued investing in repurchase agreements and instead maintained approximately $511.2 and $600 million of the total cash and cash equivalents of $731.2 and $880.8 million, respectively, in money market interest bearing bank accounts at rates averaging 6.0% and 2.0% annually, respectively.

The investments at December 31, 2005 and 2004 consisted of U.S. Treasury Notes and other obligations of the U.S. government which are explicitly guaranteed by the U.S. government and therefore not considered to have credit risk.

The following table summarizes the county's unrestricted cash and investment position at December 31, 2005, all investments mature in less than one year:

	Total	Cash and Cash Equivalents	Investments
		(Dollars in Thousands)	
Cash	$ 511,173	$ 511,173	$ -
Treasury Notes & Commercial Paper	250,849	220,032	30,817
Totals	$ 762,022	$ 731,205	$ 30,817
Governmental Funds	$ 668,950	$ 638,133	$ 30,817
Fiduciary Fund	93,072	93,072	-
Totals	$ 762,022	$ 731,205	$ 30,817

2. DEPOSITS AND INVESTMENTS (Continued)

The following table summarizes the county's unrestricted cash and investment position at December 31, 2004:

	Total	Cash and Cash Equivalents	Investments
	(Dollars in Thousands)		
Cash	$ 551,671	$ 551,671	$ -
Treasury Notes & Commercial Paper	350,759	323,998	26,761
Certificates of Deposits			
(Maturities less than 3 months)	5,121	5,121	-
(Maturities more than 3 months)	100	-	100
Totals	$ 907,651	$ 880,790	$ 26,861
Governmental Funds	$ 836,181	$ 809,420	$ 26,761
Fiduciary Fund	71,470	71,370	100
Totals	$ 907,651	$ 880,790	$ 26,861

The county maintains a consolidated disbursement account with a financial institution on behalf of the College. At August 31, 2005 and 2004, the College had a cash balance of $37.1 and of $36.9 million, respectively; and the bank balance was $37.1 and $37.3 million, respectively. The bank balance is covered by Federal depository insurance or by collateral consisting of obligations of the United States Government held by the county's agent in the county's name.

At August 31, 2005 and 2004, the carrying amount (fair value) of the College's investments was $0.

At December 31, 2005 and 2004, the carrying amount of deposits for the OTB was $11.7 and $3.2 million; NHCC was $76.1 and $95.2 million; and NCIDA was $2.3 million and $1.3 million, respectively. The bank balance was $13.5 and $4.9 million for the OTB; NHCC was $78.0 and $94.6 million; and NCIDA was $2.4 million and $1.3 million, respectively. The bank balances were covered by Federal depository insurance or by collateral consisting of obligations of the United States Government which for the OTB, NHCC and NCIDA are held by an independent trustee serving as the OTB's, NHCC's and NCIDA's agent in the name of the OTB, NHCC and NCIDA.

3. DUE FROM OTHER GOVERNMENTS

The account "Due from Other Governments" at December 31, 2005 and 2004 represents aid, grants, and other amounts receivable from the State and Federal governments. The following summarizes such receivables (dollars in thousands):

Fund	2005 Total	2005 Federal	2005 State/Other*	2004 Total	2004 Federal	2004 State/Other*
General	$ 146,018	$ 36,399	$ 109,619	$ 182,273	$ 35,477	$ 146,796
Fire Prevention, Safety, Communication and Education				25	25	
Police Headquarters	1,541	1,541		1,385	58	1,327
Nonmajor Governmental	13,713	6,633	7,080	9,555	7,693	1,862
Totals	$ 161,272	$ 44,573	$ 116,699	$ 193,238	$ 43,253	$ 149,985

* Includes $10,388 and $10,336 of sales taxes receivable at December 31, 2005 and 2004, respectively.

4. TAX REAL ESTATE

The account "Tax Real Estate" includes real property which the county has acquired through foreclosure proceedings. The property is valued at the amount of the delinquent tax liens which could not be sold at the public tax lien sale and which the county was required to retain.

Real property designated as Tax Real Estate is accounted for as an asset of the General Fund inasmuch as it is not being considered for use by the county at this time, but rather is available for sale to private bidders. Since any taxes unpaid to other funds from this property were paid to those funds by the General Fund, no portion of this asset is allocable to those other funds.

Certain real property which was acquired by the county as Tax Real Estate and subsequently designated for public use is currently not available for sale and is included as part of the capital assets in the government-wide financial statements of net assets.

5. TAX SALE CERTIFICATES

The account "Tax Sale Certificates" includes the amount of delinquent real property tax liens which could not be sold at the public tax lien sale and which the county was required to retain. It also includes the value of tax sale certificates bought by the public at the tax lien sale which the county subsequently reacquired upon default of the purchaser.

6. RECONCILIATION OF INTERFUND AND COMPONENT UNIT RECEIVABLES AND PAYABLES

A. Interfund Receivables and Interfund Payables (dollars in thousands)

The individual fund interfund receivables and Interfund Payables as of December 31, 2005 and 2004 are reconciled as follows:

December 31, 2005	General Fund	NIFA General Fund	Debt Service Fund	Fire Comm Fund	Park Fund	Police District Fund	Police Headquarters Fund	Nonmajor Funds	Total
INTERFUND RECEIVABLE									
General Fund	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 37,195	$ 37,195
NIFA General	74,035	-	-	-	-	-	-	27,554	101,589
Debt Service Fund	3,907	-	-	-	-	-	-	35,706	39,613
Fire Comm Fund	1,517	-	660	-	-	-	-	152	2,329
Parks Fund	8,748	-	18,021	-	-	-	-	130	26,899
Police District	11,951	-	775	-	-	-	4,444	5,825	22,995
Police Headquarters	7,664	-	6,286	-	-	-	-	1,240	15,190
Nonmajor Funds	18,563	-	7,727	13	-	8,459	8,017	88,811	131,590
TOTAL RECEIVABLE	$ 126,385	$ -	$ 33,469	$ 13	$ -	$ 8,459	$ 12,461	$ 196,613	$ 377,400
INTERFUND PAYABLE									
General Fund	$ -	$ (74,035)	$ (3,907)	$ (1,517)	$ (8,748)	$ (11,951)	$ (7,664)	$ (18,563)	$ (126,385)
NIFA General	-	-	-	-	-	-	-	-	-
Debt Service Fund	-	-	-	(660)	(18,021)	(775)	(6,286)	(7,727)	(33,469)
Fire Comm Fund								(13)	(13)
Police District	-	-	-	-	-	-	-	(8,459)	(8,459)
Police Headquarters	-	-	-	-	-	(4,444)	-	(8,017)	(12,461)
Nonmajor Funds	(37,195)	(27,554)	(35,706)	(152)	(130)	(5,825)	(1,240)	(88,811)	(196,613)
TOTAL PAYABLE	$ (37,195)	$(101,589)	$ (39,613)	$ (2,329)	$ (26,899)	$ (22,995)	$ (15,190)	$ (131,590)	$ (377,400)

6. RECONCILIATION OF INTERFUND AND COMPONENT UNIT RECEIVABLES AND PAYABLES (Continued)

A. Interfund Receivables and Interfund Payables (dollars in thousands) (Continued)

December 31, 2004	General Fund	NIFA General Fund	Debt Service Fund	Fire Comm Fund	Park Fund	Police District Fund	Police Headquarters Fund	Nonmajor Funds	Total
INTERFUND RECEIVABLE									
General Fund	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 94,752	$ 94,752
NIFA General	80,914	-	-	-	-	-	-	24,708	105,622
Debt Service Fund	38,355	-	-	-	-	-	-	-	38,355
Fire Comm Fund	2,165	-	2,901	-	-	138	90	729	6,023
Parks Fund	7,096	-	20,375	-	-	-	1,201	1,557	30,229
Police District	10,866	-	950	-	-	-	5,493	40,533	57,842
Police Headquarters	22,504	-	5,980	-	-	-	-	33,983	62,467
Nonmajor Funds	55,528	27	7,644	-	-	78	126	60,538	123,941
TOTAL RECEIVABLE	$ 217,428	$ 27	$ 37,850	$ -	$ -	$ 216	$ 6,910	$ 256,800	$ 519,231
INTERFUND PAYABLE									
General Fund	$ -	$ (80,914)	$ (38,355)	$ (2,165)	$ (7,096)	$ (10,866)	$ (22,504)	$ (55,528)	$ (217,428)
NIFA General	-	-	-	-	-	-	-	(27)	(27)
Debt Service Fund	-	-	-	(2,901)	(20,375)	(950)	(5,980)	(7,644)	(37,850)
Police District	-	-	-	-	(138)	-	-	(78)	(216)
Police Headquarters	-	-	-	(90)	(1,201)	(5,493)	-	(126)	(6,910)
Nonmajor Funds	(94,752)	(24,708)	-	(729)	(1,557)	(40,533)	(33,983)	(60,538)	(256,800)
TOTAL PAYABLE	$ (94,752)	$ (105,622)	$ (38,355)	$ (5,885)	$ (30,367)	$ (57,842)	$ (62,467)	$ (123,941)	$ (519,231)

The outstanding balances between funds result primarily from the time lag between the date the reimbursement is received and the date the interfund goods and services are provided.

The total amounts shown as Due to Primary Government and Due from/to Component Units at December 31, 2005 and 2004 do not offset each other as they include accounts of the Nassau Community College at the end of their fiscal years on August 31, 2005 and 2004. The following reconciles the December 31, 2005 and 2004 amounts by carrying forward the Nassau Community College transactions affecting these accounts from September 1, 2005 through December 31, 2005 and from September 1, 2004 through December 31, 2004, respectively.

6. RECONCILIATION OF INTERFUND AND COMPONENT UNIT RECEIVABLES AND PAYABLES (Continued)

B. Due from/Due to Primary Government and Component Units

	Dollars in Thousands			
	2005		2004	
Net Due to Primary Government (Exhibit X-1)		$ (39,930)		$ (6,615)
Nassau Community College Transactions from September 1, to December 31:				
Decrease in due to Debt Service Fund Increase in due to ATF	$ (279)		$ (706)	
Decrease in due from Capital Fund	(1,145)		(50)	
Decrease (Increase) in due to Grant Fund	787		202	
Decrease in Capital Chargeback	68		76	
Decrease in due to General Fund	2,324		3,819	
Subtotals		1,755		3,341
Due From Component Units - Fiduciary per Balance Sheet: (Exhibit X-12)		1,167		706
Net Due From Component Units - Governmental per Balance Sheet: (Exhibit X-1)		37,008		2,568
Net Due From Component Units Fiduciary and Governmental		$ 39,930		$ 6,615

7. PROPERTY, PLANT AND EQUIPMENT

Activity for capital assets excluding the Nassau Community College, which are capitalized by the county, is summarized below (dollars in thousands):

Primary Government	Balance, December 31, 2004	Additions	Deletions	Balance, December 31, 2005
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 114,421	$ 8,636	$ 39	$ 123,018
Construction in progress	259,745	77,508	44,110	293,143
Total capital assets, not being depreciated	374,166	86,144	44,149	416,161
Capital assets, being depreciated:				
Land Improvements	73,959	3,487	-	77,446
Buildings	638,791	9,828	61	648,558
Equipment	418,771	30,496	30,307	418,960
Infrastructure	620,247	26,343	-	646,590
Total capital assets, being depreciated	1,751,768	70,154	30,368	1,791,554
Total capital assets	2,125,935	156,298	74,517	2,207,715
Less accumulated depreciation:				
Land Improvements	23,707	3,509	-	27,216
Buildings	211,011	12,022	1	223,032
Equipment	211,291	30,938	14,158	228,071
Infrastructure	359,950	21,019	-	380,969
Total accumulated depreciation	805,959	67,488	14,159	859,288
Total capital assets, being depreciated, net	945,809	2,666	16,209	932,266
Governmental activities capital assets, net	$ 1,319,975	$ 88,810	$ 60,358	$ 1,348,427

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

Primary Government	Balance, December 31, 2003	Additions	Deletions*	Balance, December 31, 2004
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 108,243	$ 6,219	$ 41	$ 114,421
Construction in progress	234,153	57,699	32,107	259,745
Total capital assets, not being depreciated	342,396	63,918	32,148	374,166
Capital assets, being depreciated:				
Land Improvements	68,571	5,388	-	73,959
Buildings	1,002,341	11,719	375,269	638,791
Equipment	413,783	79,780	74,792	418,771
Infrastructure	1,848,421	10,938	1,239,111	620,248
Total capital assets, being depreciated	3,333,116	107,825	1,689,172	1,751,769
Total capital assets	3,675,512	171,743	1,721,320	2,125,935
Less accumulated depreciation:				
Land Improvements	20,382	3,325	-	23,707
Buildings	264,698	44,648	98,335	211,011
Equipment	234,585	40,100	63,394	211,291
Infrastructure	845,321	34,531	519,901	359,951
Total accumulated depreciation	1,364,986	122,604	681,630	805,960
Total capital assets, being depreciated, net	1,968,130	(14,779)	1,007,542	945,809
Governmental activities capital assets, net	$ 2,310,526	$ 49,139	$ 1,039,690	$ 1,319,975

*Deletions include buildings in the amount of $374,775 with accumulated depreciation of $69,117; equipment in the amount of $8,186 with accumulated depreciation of $7,521; and infrastructure in the amount of $1,239,112 with accumulated depreciation of $519,901 transferred to the Nassau County Sewer and Storm Water Finance Authority.

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

Depreciation expense was charged to functions of the county for the fiscal year ended December 31, 2005 and 2004 as follows (dollars in thousands):

December 31, 2005	Land Improvements	Buildings	Equipment	Infrastructure	Total
Functions:					
Legislative	$ -	$ 6	$ -	$ -	$ 6
Judicial	90	1,588	290	-	1,968
General Administration	60	1,143	2,341	-	3,544
Protection of Persons	9	1,600	5,436	-	7,045
Health	-	113	190	-	303
Public Works	-	278	1,407	20,319	22,004
Recreation and Parks	3,279	2,017	315	700	6,311
Social Services	60	489	284	-	833
Corrections	-	2,047	724	-	2,771
Other Expenditures/MSBA	-	660	8,868	-	9,528
Metropolitan Transportation Authority	-	-	11,083		11,083
Misc. Unclassified	11	2,081	-	-	2,092
Total Depreciation Expense	$ 3,509	$ 12,022	$ 30,938	$ 21,019	$ 67,488

December 31, 2004	Land Improvements	Buildings	Equipment	Infrastructure	Total
Functions:					
Legislative	$ -	$ 6	$ -	$ -	$ 6
Judicial	61	6,498	1,539	-	8,098
General Administration	30	1,401	2,249	-	3,680
Protection of Persons	9	8,213	5,435	-	13,657
Health	-	589	135	-	724
Public Works	-	4,170	1,316	33,850	39,336
Recreation and Parks	3,184	2,761	152	681	6,778
Social Services	30	480	73	-	583
Corrections	-	2,722	505	-	3,227
Other Expenditures/MSBA	-	317	17,613	-	17,930
Metropolitan Transportation Authority	-	-	11,083		11,083
Misc. Unclassified	11	17,491	-	-	17,502
Total Depreciation Expense	$ 3,325	$ 44,648	$ 40,100	$34,531	$ 122,604

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

Sources of funding of the general fixed assets at December 31, 2005 and 2004 were as follows (dollars in thousands):

December 31,	2005	2004
Long Term Serial Bonds	$ 1,842,406	$ 1,496,368
Temporary financing and bond anticipation notes	57,517	54,625
Federal grants	4,929	54,624
New York State grants	44,854	34,051
General Fund Revenues	120,410	55,337
Special Revenue Funds revenues	56,588	94,647
Gifts	28,577	29,764
Acquisitions prior to December 31, 1985	46,977	301,062
Capitalized lease	5,457	5,457
Total funding sources	$ 2,207,715	$ 2,125,935

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

General capital assets of the county by function at December 31, 2005 and 2004 were as follows (dollars in thousands):

	2005	2004
Legislative	$ 331	$ 331
Judicial	79,329	92,344
General Administration	91,779	76,386
Protection of Persons	137,341	118,113
Health	8,905	8,658
Public Works	1,716,992	1,688,997
Recreation and Parks	211,686	202,880
Social Services	25,601	26,108
Corrections	190,993	190,437
Other Expenditures/MSBA	144,481	156,539
Metropolitan Transportation Authority	140,040	140,000
Misc. Unclassified	193,115	190,930
Construction Work in Progress	293,143	259,745
Total	3,233,736	3,151,468
Less: accumulated depreciation	920,691	829,425
Total net capital assets	$ 2,313,045	$ 2,322,043

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

The following is a summary of the Nassau County Sewer and Storm Water Finance Authority capital assets at cost, except as noted (dollars in thousands):

Property, Plant & Equipment	Balance, June 4, 2004	Additions	Disposals	Balance, December 31, 2004	Additions	Disposals	Balance, December 31, 2005
Buildings	$ 305,658	$ -	$ -	$ 305,658	$ 142	$ 65	$ 305,735
Equipment	665	-	-	665	27	3	689
Infrastructure	719,211	-	-	719,211	386	-	719,597
Total capital assets	$ 1,025,534	$ -	$ -	$ 1,025,534	$ 555	$ 68	$ 1,026,021
Less Accumulated Depreciation:							
Buildings	$ -	$ 5,403	$ -	$ 5,403	$ 8,798	$ 4	$ 14,197
Equipment	-	47	-	47	49	-	96
Infrastructure	-	18,016	-	18,016	29,094	-	47,110
	-	23,466	-	23,466.00	37,941	4	61,403
Property, Plant & Equipment (net)	$ 1,025,534	$ 23,466	$ -	$ 1,002,068	$ (37,386)	$ 64	$ 964,618

Total combined Property, Plant & Equipment of the County, including its blended component unit, Nassau County Sewer and Storm Water Finance Authority, is $3,233,736 with the Accumulated Depreciation of $920,691.

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

The following is a summary of the Nassau Community College capital assets at cost, except as noted (dollars in thousands):

Property, Plant & Equipment	Balance, August 31, 2003	Additions	Disposals	Balance, August 31, 2004	Additions	Disposals	Balance, August 31, 2005
not being depreciated:							
Land	$ 2,733	$ -	$ -	$ 2,733	$ -	$ -	$ 2,733
Library *	877	6	-	883	15	-	898
Total	3,610	6	-	3,616	15	-	3,631
Property, Plant & Equipment being depreciated:							
Land Improvements	1,133	-		1,133	-		1,133
Infrastructure	1,269	6	-	1,275	-	-	1,275
Buildings	165,468	548	-	166,016	50	-	166,066
Building Improvements	22,289	1,542	-	23,831	193	-	24,024
Equipment	5,717	357	96	5,978	186	65	6,099
Total capital assets, being depreciated	195,876	2,453	96	198,233	429	65	198,597
Total capital assets	199,486	2,459	96	201,849	444	65	202,228
Less Accumulated Depreciation:							
Land Improvements	605	48		653	49		702
Infrastructure	544	64	-	608	64	-	672
Buildings	66,599	3,106	-	69,705	3,112	-	72,817
Building Improvements	8,609	1,123	-	9,732	1,164	-	10,896
Equipment	4,805	294	66	5,033	248	65	5,216
	81,162	4,635	66	85,731	4,637	65	90,303
Net Property, Plant & Equipment Being Depreciated	114,714	(2,182)	30	112,502	(4,208)	-	108,294
Property, Plant & Equipment (net)	$ 118,324	$ (2,176)	$ 30	$ 116,118	$ (4,193)	$ -	$ 111,925

* Library items include books and audiovisual items, all of which are assigned a nominal value of $5 per item. Periodicals and micro-forms are excluded.

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

Capital assets of the Faculty-Student Association, the Component unit of Nassau Community College as of August 31, 2004 and 2005 respectively, consisted of the following (dollars in thousands):

Property, Plant & Equipment	Balance, August 31, 2004	Balance, August 31, 2005
Furniture and equipment	$ 387	$ 328
Vans	210	187
Total Capital assets	597	515
Less Accumulated Depreciation:	435	353
Total Capital assets (net)	$ 162	$ 162

Total Property, Plant and Equipment of the Nassau Community College and Faculty-Student Association, the component unit of Nassau Community College as of August 31, 2005, were $199,112 with the accumulated depreciation of $90,656.

8. LEASES

The county leases some property and equipment. Leased property having elements of ownership is recorded in the government-wide financial statements. The related obligations, in amounts equal to the present value of minimum lease payments payable during the remaining term of the leases, are also recorded in the government-wide financial statements. Other leased property, not having elements of ownership, are classified as operating leases. Both capital and operating lease payments are recorded as expenditures when payable. Total expenditures on such leases for the fiscal year ended December 31, 2005 and 2004 were approximately $5.4 and $1.3 million, respectively.

8. LEASES (Continued)

The county (excluding discretely presented component units) had future minimum payments under capital and operating leases with a remaining term in excess of one year as follows (dollars in thousands):

	Capital Leases	Operating Leases	Total
Govenmental Activities			
Fiscal Year Ending December 31,			
2006	$ 733	$ 6,349	$ 7,082
2007	740	6,470	7,210
2008	749	6,595	7,344
2009	757	6,722	7,479
2010	766	6,851	7,617
2011-2015	3,995	35,014	39,009
2016-2020	4,300	7,362	11,662
2021-2025	4,249	-	4,249
Future Minimum Payments	16,289	$ 75,363	$ 91,652
Less Interest	10,715		
Present Value of Future Minimum Lease Payments	$ 5,574		

8. LEASES (Continued)

The county also leases county-owned property to others and the leases are classified as operating leases. Total rental revenue on these leases for 2005 and 2004 was $5.9 and $5.7 million, respectfully.

As of December 31, 2005, the following future minimum rentals are provided for by the leases (dollars in thousands):

Fiscal Year Ending December 31	Operating Leases
2006	$ 5,384
2007	5,397
2008	5,454
2009	5,622
2010	5,707
2011-2015	28,874
2016-2020	19,081
2021-2025	7,626
2026-2030	1,582
2031-2035	442
2036-2040	329
2041-2045	329
2046-2050	329
2051-2055	329
2056-2060	329
2061-2065	329
2066-2070	329
2071-2075	329
2076-2078	143
Total	$ 87,944

These leases are for land and buildings with the total cost and carrying amount of $10,552,023 for land, and the original cost, accumulated depreciation and carrying cost of $19,793,464, $18,061,543 and $1,731,921 respectively for buildings at December 31, 2005.

9. NOTES PAYABLE AND LONG-TERM OBLIGATIONS

County of Nassau Notes Payable

On December 13, 2005 the county issued $103,000,000 Tax Anticipation Notes, Series 2005 A and $17,000,000 Tax Anticipation Notes, Series 2005 B, (the "2005 A Notes" and "2005 B Notes", respectively). The Notes were issued to finance cash flow needs of Nassau County. The 2005 A Notes bear interest at the rate of 4.25% - 4.5% per annum, pay interest only at maturity, and will mature on October 31, 2006. The 2005 B Notes bear interest at the rate of 4.5% per annum, pay interest only at maturity, and will mature on November 30, 2006.

Governmental fund notes payable of the county, including the range of interest rates, issue dates, and maturity dates, are as follows (dollars in thousands):

	Balance, December 31, 2003	Additions	Reductions	Balance, December 31, 2004	Additions	Reductions	Balance, December 31, 2005
General Fund:							
Tax anticipation notes - (2.0% issued in 2003, maturity dates in 2004)	$ 120,000	$ -	$ 120,000	$ -	$ -	$ -	$ -
Tax anticipation notes - (4.25% to 4.5% issued in 2005, maturity dates in 2006)	-	-	-	-	120,000	-	120,000
Total General Fund	$ 120,000	$ -	$ 120,000	$ -	$ 120,000	$ -	$ 120,000

Long-term obligations of the county, NIFA, NCTSC and NCSSWFA are recorded in the government-wide financial statements of net assets. The amounts including the range of interest rates, issue dates, and maturity dates, are as follows (dollars in thousands):

9. NOTES PAYABLE AND LONG-TERM OBLIGATIONS (Continued)

Long – Term Obligations

General Long-Term Obligations	Balance, December 31, 2003	Additions	Reductions	Balance, December 31, 2004	Additions	Reductions	Balance, December 31, 2005	Due Within One Year
Debt:								
General obligation County bonds - (2.90% to 11.50%, issued in 1970 through 2000, maturity dates 2002 through 2024)	$ 1,208,511	$	$ 457,556	$ 750,955	$	$ 257,718	$ 493,237	$ 111,198
Sewage purpose bonds - (2.20% to 7.90%, issued in 1970 through 2000, maturity dates 2002 through 2020) - County	244,394		96,070	148,324		20,016	128,308	23,133
State Water Pollution Control Revolving Fund revenue bonds - (2.65% to 7.10%, issued in 1991 through 2002, maturity dates 2002 through 2029) - County	174,771	4,066	8,253	170,584	1,774	8,199	164,159	8,348
Total Serial Bonds - County	1,627,676	4,066	561,879	1,069,863	1,774	285,933	785,704	142,679
Sales Tax Secured Bonds, Series 2000A 4.50% to 5.625% Serial and term bonds due 2002 to 2020 - NIFA	216,560		193,965	22,595		9,750	12,845	
Sales Tax Secured Bonds, Series 2001A 4% to 5.375% Serial and term bonds due 2002 to 2021 - NIFA	171,680		101,950	69,730		7,035	62,695	6,740
Sales Tax Secured Bonds, Series 2002A&B (variable rate)Term Bond Due 2022 with mandatory sinking fund redemptions 2003-2021 - NIFA	220,605		5,300	215,305		7,650	207,655	8,035
Sales Tax Secured Bonds, Series 2003A&B 2% to 6% Serial Bonds Due 2023 with mandatory sinking fund redemptions 2004-2023 - NIFA	514,475		14,315	500,160		20,235	479,925	22,625
Sales Tax Secured Bonds, Series 2004A 2% to 5% Serial Bonds due 2005 to 2013		153,360		153,360		3,835	149,525	6,395
Sales Tax Secured Variable Rate Bonds, Series 2004 B-G Auction Rate Securities due 2016 to 2024		450,000		450,000			450,000	
Sales Tax Secured Bonds, Series 2004H 2.15% to 5% Serial Bonds due 2005 to 2017		187,275		187,275		3,255	184,020	4,665
Sales Tax Secured Bonds, Series 2004 I-K Auction Rate Securities due 2025		150,000		150,000			150,000	
Sales Tax Secured Bonds, Series 2005A Auction Rate Securities due 2024					124,200		124,200	
Sales Tax Secured Bonds, Series 2005 B-C Auction Rate Securities due 2025					122,300		122,300	
Sales Tax Secured Bonds, Series 2005D Auction Rate Securities due 2025					143,795		143,795	
Nassau County Sewer and Storm Water Finance Authority System Revenue Bonds, Series 2004A&B 1.4% to 5% 2002-2029		81,550		81,550		2,975	78,575	3,125
Tobacco Settlement Asset-Backed Bonds, Series A (variable rate)Term Bond Due 2029 with mandatory sinking fund redemptions 2004-2039 - NCTSC	278,095		2,800	275,295		3,170	272,125	3,495
Total Serial Bonds - NIFA, NCSSWFA, NCTSC	$ 1,401,415	$ 1,022,185	$ 318,330	$ 2,105,270	$ 390,295	$ 57,905	$ 2,437,660	$ 55,080

9. NOTES PAYABLE AND LONG-TERM OBLIGATIONS (Continued)

Long – Term Obligations (Continued)

	Balance, December 31, 2003	Additions	Reductions	Balance, December 31, 2004	Additions	Reductions	Balance, December 31, 2005	Due Within One Year
General Long-Term Obligations (continued)								
Other:								
Deferred payroll	$ 37,627	$ 3,368	$ 3,807	$ 37,188	$ 1,085	$ 3,991	$ 34,282	$ 34,282
Accrued vacation and sick pay	560,668	70,658	36,876	594,450	68,977	48,148	615,279	15,057
Capital lease obligations	5,566	7	-	5,573	1	-	5,574	7
Estimated tax certiorari payable	365,000	-	54,498	310,502	71,232	250,734	131,000	50,000
Estimated liability for litigation & workers' compensation	326,500	-	17,500	309,000	13,570	18,507	304,063	14,978
Estimated liability for malpractice claims	- 13,273	-	3,437	9,836	9,822	9,804	9,854	4,022
Total Other	1,308,634	74,033	116,118	1,266,549	164,687	331,184	1,100,052	118,346
Total General Long-term Obligations	$ 4,337,725	$ 1,018,734	$ 996,327	$ 4,360,132	$ 1,109,388	$ 996,327	$ 4,473,193	$ 316,105

Revenues from the Special Revenue Sewer Funds will be utilized to finance the debt service for the Sewer purpose bonds and a portion of the State Water Pollution Control Revolving Fund revenue bonds. All other debt service will be financed by the General Fund.

During 2004, NIFA issued $603,360,000 Sales Tax Secured Bonds, Series 2004 A-G of which $315,738,098 was used to advance refund $289,270,000 of outstanding NIFA Bonds, including portions of the Series 2000A, Series 2001A, and Series 2003A Bonds and $286,400,000 was used to advance refund $295,295,000 outstanding County Bonds, including portions of the Series 1993D, 1993H, 1999B, 1999C, 1999D, 2000E, 2000F, County Series U and County Series V Bonds. Portion of the proceeds was deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, a portion of NIFA Series 2000A, Series 2001A and Series 2003A Bonds as well Nassau County Series 1993D Bonds, Series 1993H Bonds, Series 1999B Bonds, Series 1999C Bonds, Series 2000E Bonds, Series 2000F Bonds, and Series U and V General Improvement Bonds are considered to be defeased and the liability for those bonds has been removed from the government-wide financial statements of net assets. As a result of this advance refunding NIFA had decreased combined County and NIFA aggregate debt service payments by approximately $36.8 million and provided net present value savings of approximately $42.9 million.

During 2005, NIFA issued $124,200,000 Sales Tax Secured Bonds, Series 2005 A and $122,300,000 Sales Tax Secured Variable Rate Bonds, Series 2005 B and C, of which $130,797,594 was used to advance refund $122,735,000 of outstanding County Bonds, including portions of the Series 1996U, 1997V, 1997W, 1997X, 1999B, 1999D. Portion of the proceeds in the amount of $130,797,594 was deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, portions of County Bonds Series 1996U, 1997V, 1997W, 1997X, 1999B and 1999D, are considered to be defeased and the liability for those bonds has been removed from the government-wide financial statements of net assets. As a result of this advance refunding

9. NOTES PAYABLE AND LONG-TERM OBLIGATIONS (Continued)

Long – Term Obligations (Continued)

NIFA had increased combined County and NIFA aggregate debt service payments by approximately \$186.2 million and provided net present value savings of approximately \$5.6 million.

During 2004, NCSSWFA issued \$54,200,000 of the Series 2004A Bonds and \$27,350,000 of the Series 2004B System Revenue Bonds. \$1,841,413 of the Series 2004A Bonds was used to advance refund \$1,805,000 of a portion of outstanding Nassau County Series 1993I Refunding Sewer Bonds. \$12,640,629 of the Series 2004B Bonds was used to advance refund \$11,180,000 of the Nassau County Series 1995S Sewer Bonds, 1995T Sewer Bonds, Series 1996U Sewer Bonds, Series 1996V Sewer Bonds, series 1996W Sewer Bonds, Series 1997X Sewer Bonds, Series 1999E Sewer Bonds, Series 2000F Sewer Bonds. A portion of the proceeds was deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, Nassau County Series 1993I Refunding Sewer Bonds as well as Nassau County Series 1995S Sewer Bonds, 1995T Sewer Bonds, Series 1996U Sewer Bonds, Series 1996V Sewer Bonds, series 1996W Sewer Bonds, Series 1997X Sewer Bonds, Series 1999E Sewer Bonds, Series 2000F Sewer Bonds are considered to be defeased and the liability for those bonds has been removed from the 2004 government-wide financial statement of net assets. As a result of this advance refunding NCSSWFA had increased the county's total debt service payments by \$6,857,017 and obtained an economic gain of \$3,073,817 million.

9. NOTES PAYABLE AND LONG-TERM OBLIGATIONS (Continued)

Long – Term Obligations (Continued)

The annual requirements and sources to amortize the county's General Obligation serial bonds payable as of December 31, 2005 are as follows (dollars in thousands):

	Debt Service Requirements			Sources		
Year Ending	Principal	Interest	Total	General County Budgets	Sewage District Budgets	Total
2006	$ 142,677	$ 39,767	$ 182,444	$ 136,058	$ 46,386	$ 182,444
2007	123,516	32,405	155,921	112,368	43,553	155,921
2008	107,982	26,191	134,173	92,880	41,293	134,173
2009	94,572	20,654	115,226	79,864	35,362	115,226
2010	79,229	15,777	95,006	64,235	30,771	95,006
2011-2015	151,727	40,602	192,329	87,026	105,303	192,329
2016-2020	48,420	17,616	66,036	4,803	61,233	66,036
2021-2025	32,375	5,871	38,246	-	38,246	38,246
2026-2030	4,925	636	5,561	-	5,561	5,561
2031-2034	281	25	306	-	306	306
Total	$ 785,704	$ 199,544	$ 985,248	$ 577,234	$ 408,014	$ 985,248

The county's constitutional debt margin was approximately $12.7 and $11.4 billion and total long-term obligation bonds authorized but unissued for general county and sewage district purposes were approximately $788.0 and $781.0 million at December 31, 2005 and 2004, respectively.

NIFA Long-Term Debt

Bonds of the Authority are issued pursuant to an Indenture, as supplemented and amended (the "Indenture") between the Authority and the United States Trust Company of New York and its successor The Bank of New York (the "Trustee"), under which the Authority has pledged its right, title and interest in the Revenues of the Authority to secure repayment of Authority debt. The Act provides that the Authority's pledge of its Revenues represents a perfected first security interest on behalf of holders of its bonds. The lien of the Indenture on the Revenues for the security of Authority bonds is prior to all other liens thereon. The Authority does not have any significant assets or sources of funds other than Sales Tax Revenues and amounts on deposit pursuant to the Indenture. The Authority does not have independent taxing power.

As of December 31, 2005 the Authority had outstanding bonds in the amount of $2,086,960,000 including $390,295,000 of debt issued during 2005. These 2005 borrowings were comprised of the following:

9. NOTES PAYABLE AND LONG-TERM OBLIGATIONS (Continued)

NIFA Long-Term Debt (Continued)

On July 14, 2005 the Authority issued $124,200,000 of fixed rate Sales Tax Secured Bonds, Series 2005A, and the $122,300,000 of Sales Tax Secured Variable Rate Bonds Series 2005 B-C (collectively, the "Bond Proceeds")

The fixed rate bonds were issued at rates ranging between 3.25% and 5%, and the auction rate bonds were auctioned in daily and seven day modes. Of the Bond Proceeds, $130,797,593.67 was used to fund an escrow account to pay county debt service, with the remainder used to fund various county needs, and pay costs associated with the financings.

On December 8, 2005 the Authority issued $143,795,000 of fixed rate Sales Tax Secured Bonds, Series 2005D at rates ranging from 3.25% to 5%. The proceeds were used to fund various county needs and pay costs associated with the financing.

NIFA's debt matures through the year 2025, and is comprised of fixed, variable and auction rate bonds issued at variable rates, which are discussed below. Other than a possible refunding of its debt if market conditions permit, and the possible issuance of $15 million in 2006 and $10 million in 2007 for certiorari refund purposes, the Authority has no plans to issue additional debt.

Fixed Rate Bonds - The Authority has issued fixed rate bonds at rates ranging between 2% and 6%. Interest on the Authority's Fixed Rate Bonds is payable on May 15 and November 15 of each year, and interest on the Variable Rate Bonds is payable on the first business day of each month. Principal on all bonds is payable on November 15. A debt service account has been established under the Indenture to provide for the payment of interest on and principal of bonds outstanding under the Indenture. The Trustee makes monthly deposits to the debt service account in the amount of debt service accrued through the end of that month.

For the Fixed Rate Bonds, this is essentially one-sixth of the next interest payment and one-twelfth of the next principal payment. For the Variable Rate Bonds, this is one-twelfth of the next principal payment and the amount needed to maintain a prudent level of funding in excess of the anticipated interest expense to be accrued that month. Because of this monthly deposit requirement, the amount accrued for debt service in the Authority's financial statements in any year will not be the same as the debt service on the bonds paid to bondholders in that year.

The County has assumed responsibility for calculating arbitrage rebate liability on bonds or notes issued by the Authority. The County does not believe that there is any arbitrage liability on bonds or notes issued by the Authority in addition to the approximately $12.5 million accrued by the county in it's general fund. Variable Rate Bonds - Interest rates on the non-auction Variable Rate Bonds are currently reset weekly by a remarketing agent at the minimum rate necessary for the bonds to have a market value equal to the principal amount. Interest rates are set separately for each series of variable rate bonds. The Variable Rate Bonds are in most circumstances subject to tender at the option of the bondholder. Payment of the purchase price of eligible 2002A Bonds and 2002B Bonds subject to optional or mandatory tender for purchase and not remarketed by the remarketing agent, will be made under and pursuant to, and subject

9. NOTES PAYABLE AND LONG-TERM OBLIGATIONS (Continued)

NIFA Long-Term Debt (Continued)

to the terms, conditions and provisions of, a liquidity facility issued by Dexia Credit Local, acting through its New York Agency, with respect to the Series 2002A Bonds; or a liquidity facility issued by BNP Paribas, acting through its New York branch, with respect to the Series 2002B Bonds. Each liquidity facility is slated to expire July 9, 2007, subject to extension or early termination. Bonds that are purchased by Dexia Credit Local or BNP Paribas and not remarketed, if any, must be paid over a five year period. If this was to occur, annual Authority debt service expense would increase substantially.

Auction Rate Bonds - Auction rate bonds, which are variable rate bonds issued in an auction rate mode, are auctioned at intervals between 7 days, 28 days and 35 days. As rates vary, variable rate and auction rate interest payments and net swap payments will vary. Also see note 7 regarding interest rate exchange agreements.

Bonds are recorded at the principal amount outstanding and consist of the following:
Aggregate debt service to maturity as of December 31, 2005 is as follows (Dollars in thousands):

Year Ending December 31	Principal	Interest*	Total
2006	$ 48,460	$ 88,382	$ 136,842
2007	79,975	87,536	167,511
2008	95,315	84,266	179,581
2009	104,265	80,549	184,814
2010	104,930	75,627	180,557
2011 - 2015	705,110	290,096	995,206
2016 - 2020	630,900	138,843	769,743
2021 - 2025	318,005	32,748	350,753
	$ 2,086,960	$ 878,047	$ 2,965,007

* Interest on the Variable Rate Bonds is calculated at 5%, the interest rate in effect as of December 31, 2005. During 2005, the interest rate on the Variable Rate Bonds ranged from 1.39% to 3.50%.

Swap Agreements

Board-adopted Guidelines. On March 25, 2004, NIFA adopted guidelines ("Interest Rate Swap Policy") with respect to the use of swap contracts to manage the interest rate exposure of its debt. The Interest Rate Swap Policy establishes specific requirements that must be satisfied for NIFA to enter into a swap contract.

9. NOTES PAYABLE AND LONG-TERM OBLIGATIONS (Continued)

NIFA Long-Term Debt (Continued)

Objectives of Swaps. To protect against the potential of rising interest rates, to achieve a lower net cost of borrowing, to reduce exposure to changing interest rates on a related bond issue, or, in some cases where Federal tax law prohibits an advance refunding, to achieve debt service savings through a synthetic fixed rate. In an effort to hedge against rising interest rates, NIFA entered into nine separate pay-fixed, receive-variable interest rate Swaps during FY 2004 (the "Swaps").

Activity during the Period.

- NIFA entered into the following six swap contracts with an effective date of April 8, 2004, in connection with the issuance of $450 million in auction rate securities to provide for the refunding or restructuring of a portion of the County's outstanding bonds, refunding of certain outstanding NIFA bonds, tax certiorari judgments and settlements to which the County is a party, other legal judgments and settlements, County capital projects and to pay costs of issuance.
  - $72.5 million notional amount (2004 Series B) with Goldman Sachs Mitsui Marine Derivative Products, L.P. ("GSMMDP")
  - $72.5 million notional amount (2004 Series C) with Goldman Sachs Mitsui Marine Derivative Products, L.P.
  - $80.0 million notional amount (2004 Series D) with Goldman Sachs Mitsui Marine Derivative Products, L.P.
  - $72.5 million notional amount (2004 Series E) with UBS AG
  - $72.5 million notional amount (2004 Series F) with UBS AG
  - $80.0 million notional amount (2004 Series G) with UBS AG

- NIFA entered into the following three swap contracts with an effective date of December 9, 2004, in connection with the issuance of $150 million in Auction Rate Securities to provide for the refunding of a portion of the County's outstanding bonds, tax certiorari judgments and settlements to which the County is a party, other legal judgments and settlements and to pay costs of issuance.
  - $50.0 million notional amount (2004 Series I) with Goldman Sachs Mitsui Marine Derivative Products, L.P.
  - $50.0 million notional amount (2004 Series J) with UBS AG
  - $50.0 million notional amount (2004 Series K) with Morgan Stanley Capital Services ("MSCS")

9. NOTES PAYABLE AND LONG-TERM OBLIGATIONS (Continued)

NIFA Long-Term Debt (Continued)

Fair Value. Replacement interest rates on the Swaps, as of December 31, 2005, are reflected in the chart entitled "Interest Rate Swap Valuation" (the "Chart"). As noted in the Chart, replacement rates in some cases were higher than, and in some cases lower than, market interest rates on the effective date of the Swaps. Consequently, as of December 31, 2005, some of the Swaps had negative fair values and some had positive fair values. In the event there is a positive fair value, NIFA would be exposed to the credit risk of the counterparties in the amount of the Swaps' fair value should the Swap be terminated.

The total value of each swap, including accrued interest, is provided in the Chart. The total value of each Swap listed represents the theoretical cost to NIFA to terminate the swap as of the date indicated, assuming that a termination event occurred on that date. Negative fair values may be offset by reductions in total interest payments required under the related variable interest auction rate bonds. The market value is calculated at the mid-market for each of the Swaps. Fair values were estimated using the zero coupon methodology. This methodology calculates the future net settlement payments under the swap agreement, assuming the current forward rates implied by the yield curve correctly anticipate

future spot rates. These payments are then discounted using rates derived from the same yield curve. As of December 31, 2005, the total marked-to-market valuation, net of accruals, of NIFA's Swaps was negative $280,017. In the event that both parties continue to perform their obligations under the swap, there is not a risk of termination and neither party is required to make a termination payment to the other. NIFA is not aware of any event that would lead to a termination event with respect to any of its Swaps.

Risks Associated with the Swap Agreements.

From NIFA's perspective, the following risks are generally associated with swap agreements:

- *Credit Risk* – The counterparty becomes insolvent or is otherwise not able to perform its financial obligations. In the event of deterioration in the credit ratings of the counterparty or NIFA, the swap agreement may require that collateral be posted to secure the party's obligations under the swap agreement.

Under the swap agreements, neither party has to collateralize its termination exposure unless its ratings, or that of the insurer, fall below certain triggers. For the Authority, there is no requirement to collateralize until the Authority is at an A3/A- level, and then only for the amount over $50 million (threshold amount) of exposure. The threshold amount declines if the Authority falls into the BBB ratings category.

NIFA's Swap Policy requires that counterparties have credit ratings from at least one nationally recognized statistical rating agency that is within the two highest investment grade categories, without distinction as to grade within the category. If after entering into an agreement the ratings of the counterparty or its guarantor or credit support party are downgraded below the described ratings by any one of the rating agencies, then the agreement is subject to termination unless the counterparty provides either a substitute guarantor or assigns the agreement, in either case, to a party meeting the rating criteria reasonably acceptable to NIFA or collateralizes its obligations in accordance with the criteria set forth in

9. NOTES PAYABLE AND LONG-TERM OBLIGATIONS (Continued)

NIFA Long-Term Debt (Continued)

the transaction documents. The counterparties have the ratings set forth below. The table shows the diversification, by percentage of notional amount, among the various counterparties that have entered into agreements with NIFA.

Counterparty	($ in millions)	Percentage
GSMMDP	275	45.80 %
UBS AG	275	45.80 %
MSCS	50	8.40 %
Total	600	100.00 %

NIFA insured its performance in connection with the Swaps associated with the Series 2004 B-G bonds with Ambac Assurance (Aaa/AAA), including NIFA termination payments. NIFA's payments to the counterparties on the Swaps associated with the Series 2004 I-K bonds are insured with CDC IXIS Financial Guaranty North America, Inc. ("CIFG NA"), which is rated Aaa/AAA/AAA. However, termination payments from NIFA are not guaranteed except on NIFA's Swap with UBS AG, where it is guaranteed up to a maximum of $2.0 million.

- *Basis Risk* – The variable interest rate paid by the counterparty under the swap and the variable interest rate paid by NIFA on the associated variable interest auction rate bonds are not the same. If the counterparty's rate under the swap is lower than the bond interest rate, then the counterparty's payment under the swap agreement does not fully reimburse NIFA for its interest payment on the associated bonds. Conversely, if the bond interest rate is lower than the counterparty's rate on the swap, there is a net benefit to NIFA.

NIFA is exposed to basis risk on the Swaps. NIFA is paying a fixed rate of interest to the counterparties and the counterparties are paying a variable rate to NIFA represented by a percentage of the One-Month LIBOR ("London Inter-bank Offered rate"), rate plus a fixed spread. The amount of the variable rate swap payments received from the counterparties does not normally equal the actual variable rate payable to the bondholders. Should the historical relationship between LIBOR and NIFA's variable rate on its bonds move to converge, the expected cost savings may not be realized. Conversely, should the relationship between LIBOR and NIFA's variable rate on its bonds move to diverge, there is a benefit to NIFA.

- *Termination Risk* – The swap agreement will be terminated and NIFA will be required to make a large termination payment to the counterparty.

9. NOTES PAYABLE AND LONG-TERM OBLIGATIONS (Continued)

NIFA Long-Term Debt (Continued)

The Swaps use International Swaps and Derivative Association ("ISDA") documentation and use standard provisions regarding termination events with one exception: if the termination amount is over $5 million for the Authority, the Authority can pay such excess amount over six months, financing the delay at LIBOR plus 1%. However, adverse termination for credit deterioration is remote since the Swaps are insured and the insurers will control termination. NIFA or the counterparty may terminate any of the Swaps if the other party fails to perform under the terms of the contract. In addition, NIFA may terminate the Swaps at their fair market value at any time. NIFA would be exposed to variable rates if the counterparty to the Swap defaults or if the swap is terminated. A termination of the Swap agreement may also result in NIFA making or receiving a termination payment. NIFA is not aware of any event that would lead to a termination event with respect to any of its Swaps.

- *Rollover Risk* – The notional amount under the swap agreement terminates prior to the final maturity of the associated bonds, and NIFA may be exposed to then market rates and cease to get the benefit of the synthetic fixed rate for the duration of the bond issue.

NIFA is not exposed to rollover risk, because the notional amounts under the Swaps do not terminate prior to the final maturity of the associated variable interest auction rate bonds.

9. NOTES PAYABLE AND LONG-TERM OBLIGATIONS (Continued)

NIFA Long-Term Debt (Continued)

The following chart represents NIFA's Interest Rate Swap Valuation as of December 31, 2005:

Interest Rate Swap Valuation (as of December 31, 2005)

Series	2004 Series B	2004 Series C	2004 Series D	2004 Series E	2004 Series F	2004 Series G	2004 Series I	2004 Series J	2004 Series K	Total
Notional Amount	72,500,000	72,500,000	80,000,000	72,500,000	72,500,000	80,000,000	50,000,000	50,000,000	50,000,000	600,000,000
Counterparty	GSMMDP	GSMMDP	GSMMDP	UBS	UBS	UBS	GSMMDP	UBS	MSCS	
Counterparty Rating (1)	Aaa/AA+/NR	Aaa/AA+/NR	Aaa/AA+/NR	Aa2/AA+/AA+	Aa2/AA+/AA+	Aa2/AA+/AA+	Aaa/AA+/NR	Aa2/AA+/AA+	Aa3/A+/AA-	
Effective Date	4/8/2004	4/8/2004	4/8/2004	4/8/2004	4/8/2004	4/8/2004	12/9/2004	12/9/2004	12/9/2004	
Maturity Date	11/15/2024	11/15/2024	11/15/2016	11/15/2024	11/15/2024	11/15/2016	11/15/2025	11/15/2025	11/15/2025	
NIFA Pays	3.146%	3.146%	3.002%	3.146%	3.146%	3.003%	3.432%	3.432%	3.432%	
Replacement Rate	3.186%	3.188%	3.231%	3.186%	3.188%	3.230%	3.305%	3.305%	3.305%	
NIFA Receives	60% of LIBOR plus 16 basis points weekly (Tuesday).	60% of LIBOR plus 16 basis points weekly (Friday).	60% of LIBOR plus 26 basis points monthly (4th Monday).	60% of LIBOR plus 16 basis points weekly (Tuesday).	60% of LIBOR plus 16 basis points weekly (Friday).	60% of LIBOR plus 26 basis points monthly (5th Thursday).	61.5% of LIBOR plus 20 basis points.	61.5% of LIBOR plus 20 basis points.	61.5% of LIBOR plus 20 basis points.	
Net Accrued	(280,237)	(285,821)	(233,288)	(269,031)	(285,821)	(294,618)	(155,107)	(155,107)	(155,107)	(2,114,137)
Principal	288,386	301,724	1,375,668	288,386	301,724	1,368,734	(696,834)	(696,834)	(696,834)	1,834,120
Total Value of Swap	8,149	15,903	1,142,380	19,355	15,903	1,074,116	(851,941)	(851,941)	(851,941)	(280,017)

(a) Moodys/S&P/Fitch

9. NOTES PAYABLE AND LONG-TERM OBLIGATIONS (Continued)

NIFA Long-Term Debt (Continued)

The following table contains the aggregate amount of estimated variable-rate bond debt service and net swap payments during certain years that such swaps were entered into in order to: protect against the potential of rising interest rates; achieve a lower net cost of borrowing; reduce exposure to changing interest rates on a related bond issue; or, in some cases where Federal tax law prohibits an advance refunding, achieve debt service savings through a synthetic fixed rate.

- Beginning in 2006, it is assumed that the variable rate bonds would bear interest at a rate of 3.19% per annum.
- The net swap payments were calculated using the actual fixed rate on swap agreements. An assumption of 10 – 25 basis points spread was factored in for basis risk to be conservative.

Nassau County Interim Finance Authority
Variable-Rate Bonds (in Thousands)

Year(s) Ending December 31	Principal	Interest	Net Swap Payments	Total
2006	$ -	$ 17,662	$ 4	$ 17,666
2007	-	18,656	1,534	20,190
2008	-	18,493	1,697	20,190
2009	-	18,749	1,441	20,190
2010	-	18,898	1,293	20,191
2011 - 2015	108,125	92,569	4,994	205,688
2016 - 2020	343,250	60,286	2,818	406,354
2021 - 2025	148,625	12,097	601	161,323

NCSSWFA Long-Term Debt

The Authority issued its System Revenue Bonds, 2005 Series A (the "2005A Bonds") pursuant to the Authority's General Revenue Bond Resolution dated as of March 1, 2004, as supplemented by a First Supplemental Resolution dated as of March 1, 2004.

The 2004 Bonds were issued to refund a portion of the County Bonds associated with the System and pay for the related costs of issuance and refinancing.

The 2004A Bonds bear interest at an auction rate (which rates vary from 1.40% to 1.75% per annum at December 31, 2005) and are subject to redemption at the option of the Authority, in whole on any date, or in part by lot on any interest payment date immediately following an auction period (35 day increments), at a redemption price of 100% of the principal amount of such 2004A Bonds or portion thereof to be redeemed plus accrued interest to the date of redemption.

9. NOTES PAYABLE AND LONG-TERM OBLIGATIONS (Continued)

NCSSWFA Long-Term Debt (Continued)

At the option of the Authority, all of the 2004A Bonds may be converted to a variable interest rate other than the auction rate or a fixed interest rate, as described in the Official Statement. Unless the 2004A Bonds are bearing interest at the fixed interest rate, such 2004A Bonds are subject to redemption prior to maturity through sinking fund payments established by the First Supplemental Resolution on each of the dates set forth below and in the respective principal and interest amounts set forth opposite each such date (the particular 2004A Bonds or portion thereof are to be selected by the Trustee as described in the General Revenue Bond Resolution), in each case at a redemption price of 100% of the principal amount of the applicable 2004A Bonds or portion thereof to be redeemed, plus accrued interest to the date of redemption.

The 2004B Bonds were issued to refund a portion of the County Bonds associated with the system and to pay for the related costs of issuance and refinancing.

Each 2004B Bond maturing on and after October 1, 2015 is subject to redemption on or after October 1, 2014, at the option of the Authority, in whole on any date, or in part by lot on any interest payment date, at a redemption price of 100% of the principal amount of such 2004B Bond or portion thereof to be redeemed plus accrued interest to the date of redemption. The 2004B Bonds bear interest rates ranging from 2.5% to 5.0%, per annum.

During 2005, the authority issued $11,885,007 of commercial paper at interest rates ranging between 2.10%–3.05%. Rollovers totaled $29,860,000. As of December 31, 2005 $11,885,007 remained open and is included in the following Aggregate debt service to maturity as of December 31, 2005.

Aggregate debt service to maturity as of December 31, 2005 is as follows (in thousands):

	Dollars in Thousands		
Year Ending December 31,	**Principal**	**Interest**	**Total**
2006	$ 15,010	$ 3,626	$ 18,636
2007	3,225	3,503	6,728
2008	3,295	3,422	6,717
2009	3,430	3,323	6,753
2010	3,540	3,203	6,743
2011-2015	19,680	13,559	33,239
2016-2020	23,720	8,286	32,006
2021-2024	18,560	2,082	20,642
	$ 90,460	$ 41,004	$ 131,464

9. NOTES PAYABLE AND LONG-TERM OBLIGATIONS (Continued)

NCTSC Long-Term Debt

In 1999, the NCTSC issued $294,500,000 of Tobacco Settlement Asset Backed Bonds, Series A pursuant to an Indenture dated as of October 1, 1999.

The payment of the Series A Bonds is dependent on the receipt of Tobacco Settlement Revenues ("TSR"). The amount of TSRs actually collected is dependent on many factors including cigarette consumption and the continued operations of the Original Participating Manufacturers ("OPMs"). Such bonds are secured by and payable solely from TSRs and investment earnings pledged under the Bond Indenture and amounts established and held in accordance with the Bond Indenture. In the event sufficient funds are not available to meet Planned Payment Maturities, Rated Maturity dates will be used.

Each Series A Bond bears interest at a fixed annual rate, between 4.20% and 6.60% payable semi-annually until the principal is redeemed. Each Series A Bond has a Planned Principal Payment Date and a Rated Maturity Date. Planned Principal Payment Dates are July 15, 2006 through 2029 and Rated Maturity Dates are July 15, 2006 through 2039. Series A Bonds of the NCTSC were refunded using proceeds of the NCTSC Asset-Backed Bonds, "Series 2006 Bonds", issued on March 31, 2006 in the amount of $431,034,246.

The financial statements reflect transactions assuming the Planned Principal Maturity schedule is met. Failure to make a Planned Principal Payment will not constitute default. However, no payments will be made to the county and no additional bonds may be issued unless NCTSC is current on the Planned Principal Payments.

Failure to pay interest on the Series A Bonds when due or principal of the Series A Bonds when due on a Rated Maturity Date will constitute a default. In the event it is determined that revenues exist and debt service requirements and operating expenses are being met on an annual basis, the excess revenues shall be payable to the County of Nassau. NCTSC debt service requirements based upon Planned Principal Payments are as follows:

	Principal	Interest	Total Debt Service
Twelve months ending December 31:			
2006	$ 3,495,000	$ 17,462,385	$ 20,957,385
2007	3,805,000	17,296,500	21,101,500
2008	4,570,000	17,079,270	21,649,270
2009	4,995,000	16,810,528	21,805,528
2010	5,540,000	16,510,828	22,050,828
2011-2015	36,190,000	76,730,331	112,920,331
2016-2020	63,900,000	62,209,125	126,109,125
2021-2025	81,875,000	38,567,370	120,442,370
2026-2029	67,755,000	10,691,340	78,446,340
	$272,125,000	$273,357,677	$545,482,677

9. NOTES PAYABLE AND LONG-TERM OBLIGATIONS (Continued)

Nassau Community College Long-Term Debt

Long-term obligations of the Nassau Community College and Nassau County general obligation serial bonds issued for various College constructions, including the range of interest rates, issue dates, and maturity dates are as follows (dollars in thousands):

	Balance, August 31, 2003	Additions	Reductions	Balance, August 31, 2004	Additions	Reductions	Balance, August 31, 2005	Current Portion
Debt:								
General Obligations	$ 30,723	$ -	$ 5,989	$ 24,734	$ -	$ 8,801	$ 15,933	$ 3,638
DASNY	32,037	22,908	27,652	27,293	5,351	3,362	29,282	77
Other:								
Accrued vacation and sick pay	39,089	2,977	-	42,066	-	761	41,305	-
Insurance Reserve Liability	1,620	24	-	1,644	48	-	1,692	-
Estimated liability for litigation	2,500	-	-	2,500	-	-	2,500	-
Total	$ 105,969	$ 25,909	$ 33,641	$ 98,237	$ 5,399	$ 12,924	$ 90,712	$ 3,715

9. NOTES PAYABLE AND LONG-TERM OBLIGATIONS (Continued)

Nassau Community College Long-Term Debt (Continued)

Dormitory Authority of the State of New York ("DASNY") - The College has entered into financing agreements with the Dormitory Authority - State of New York (the "Authority" or "DASNY") for the purpose of financing the State's one-half share of various capital construction costs. The Bonds are special obligations of the Authority, payable from amounts to be appropriated each year by the State pursuant to a provision of the State Education Law, and from moneys in the Debt Service Reserve Fund held by the Trustee. The amounts to be appropriated annually are assigned under the agreement from the county to the Authority. The Authority has no taxing power. Accordingly, under the Constitution of the State of New York, the availability of funds to make Annual Payments is subject to annual appropriations being made by the State Legislature. The State Education Law that allows the State to make these appropriations does not constitute a legally enforceable obligation of the State and the State is not legally required to appropriate such funds. The Bonds are not a debt of the State and the State is not liable for them.

The aggregate amount due the Authority under the agreement in each bond year (the "Annual Payments") is equal to debt service on the bonds plus certain administrative and other expenses of the Authority. No revenues or assets of the College or the county have been pledged or will be available to pay the debt service on the bonds. The county has not pledged its full faith and credit to the payments of principal and interest on the bonds. The Authority will not have title to, a lien on or a security interest in any of the projects being financed by the bonds or in other property of the county or College.

General Obligation Serial Bonds - The County of Nassau has issued general obligation serial bonds in the name of the county for various College construction projects. The amount of serial bonds outstanding at August 31, 2005 was $15,933,383 and principal is scheduled to mature from 2006 to 2034. This debt is the obligation of the county. No revenues or assets of the College have been pledged or will be available to pay debt service on the bonds. The county has pledged its full faith and credit to the payment of principal and interest on the bonds. As of August 31, 2005, principal and interest payments relating to the Authority and general obligation bonds are as follows:

Principal Year Ending August 31,	DASNY	General Obligations	Total
2006	$ 76,689	$ 3,638,058	$ 3,714,747
2007	579,667	3,616,313	4,195,980
2008	443,958	2,639,563	3,083,521
2009	1,446,868	1,979,869	3,426,737
2010	1,513,015	1,100,480	2,613,495
2011-2015	7,539,031	2,632,000	10,171,031
2016-2020	10,403,953	327,100	10,731,053
2021-2025	5,647,532	-	5,647,532
2026-2030	1,127,411	-	1,127,411
2031-2034	503,497	-	503,497
Total	$ 29,281,621	$ 15,933,383	$ 45,215,004

9. NOTES PAYABLE AND LONG-TERM OBLIGATIONS (Continued)

Nassau Community College Long-Term Debt (Continued)

Interest Year Ending August 31,	DASNY	General Obligations	Total
2005	$ 144,133	$	$ 144,133
2006	1,365,667	803,138	2,168,805
2007	1,363,237	603,281	1,966,518
2008	1,340,652	425,010	1,765,662
2009	1,320,250	297,406	1,617,656
2010	1,256,067	210,925	1,466,992
2011-2015	5,313,716	416,810	5,730,526
2016-2020	3,416,591	26,727	3,443,318
2021-2025	861,005	-	861,005
2026-2030	230,922	-	230,922
2031-2034	15,732	-	15,732
Total	$ 16,627,972	$ 2,783,297	$ 19,411,269

Interest on the Authority and general obligation bonds range from 3.094% to 5.788% and from 4.25% to 9%, respectively.

NHCC Long-Term Debt

In October 2005, the Series 2005 Bonds were issued to refund the NHCC Series 1999 Revenue Bonds, finance capital projects and pay the costs of issuance, including the required premium of the Bond Insurer. The bond issuance resulted in NHCC receiving approximately $41 million of cash at closing of which $26 million being available for working capital and $15 million of new capital project financing at closing and approximately $22 million in net present value savings from lower debt service payment requirements. In connection with the refunding, the NHCC incurred a loss of approximately $38 million. The loss (the difference between the reacquisition price and the net carrying amount of the old debt) is carried as a deferred item, net in long-term debt in the accompanying consolidated balance sheet. Amortization of the deferred loss is $991,000 for the year ended December 31, 2005.

The county guarantees, to the Trustee, the Owners of Series 2005 Bonds and the Bond Insurer, the full and prompt payment of the principal and interest of Series of 2005 Bonds. The county guaranty may be amended without consent of the bond owners but only with consent of the Bond Insurer. Payments with respect to principal of and interest in the Series 2005 bonds under the county guaranty are required to be made directly by the county to the Trustee. Pursuant to the Stabilization Agreement the county deposits Historical Mission and Article VI Health Center subsidies, payable to the NHCC monthly, in an escrow account reserved for payment of the Series 2005 Bonds. In addition to the county guarantee, the bond payments are insured by a municipal bond insurance policy, through a commercial insurer.

9. NOTES PAYABLE AND LONG-TERM OBLIGATIONS (Continued)

NHCC Long-Term Debt (Continued)

Long-term debt at December 31, 2005 and 2004 consists of the following (dollars in thousands):

	December 31 2005	December 31 2004
2004 Series A Bonds payable at varying dates through August 1, 2022 bearing interest at taxable variable rates.	$ 63,475	$ 65,475
2004 Series B Bonds payable at varying dates through August 1, 2014, at tax-exempt fixed interest rates ranging from 3.0% to 5.0%.	17,876	18,270
2004 Series C Bonds payable at varying dates through August 1, 2029, bearing interest at tax-exempt variable rates.	219,610	219,610
	300,961	303,355
Deferred loss on refunding	(34,855)	(37,226)
Net unamortized bond premium	1,313	1,538
Current portion	(2,370)	(2,395)
	$ 265,049	$ 265,272

Principal payments are due annually on August 1. Interest payments are due semiannually on February 1 and August 1. Payments applicable to long-term debt for years subsequent to December 31, 2005 are as follows (dollars in thousands):

Years Ending December 31	Principal	Estimated Interest
2006	$ 2,370	$ 11,215
2007	2,380	11,118
2008	2,390	11,021
2009	7,090	10,869
2010	9,395	9,717
2011 to 2015	54,095	46,077
2016 to 2020	66,646	32,226
2021 to 2025	80,550	19,864
2026 to 2029	76,045	5,552
	$ 300,961	$ 157,659

9. NOTES PAYABLE AND LONG-TERM OBLIGATIONS (Continued)

NHCC Long-Term Debt (Continued)

In connection with the issuance of the Series 2004 Bonds, the NHCC entered into interest rate swap agreements with commercial banks to convert the variable interest rate Series C Bonds to a fixed interest rate based on total initial notional amount of $220,000. The fixed interest rate paid by the NHCC under the swap agreements is 3.46% and the variable rate received is based on LIBOR. The swap agreements expire on August 1, 2029.

NHCC also entered into a cancelable swap agreement with a commercial bank to convert the variable interest rate Series A Bonds to a fixed interest rate based on an initial notional amount of $65,000. The fixed interest rate paid by the NHCC under the swap agreement is 4.61% and the variable rate received is based on LIBOR. The swap agreement expires on August 1, 2012.

The swap agreements expose the NHCC to market risk in the event of changes in interest rates, and credit risk in the event of nonperformance by the counterparty. However, the NHCC believes that the risk of a material impact to its financial condition arising from such events is low. The county guarantees payments to the swap contract counterparties. The fair value of the derivative instruments (swap liability) was $2,210 and $3,687 at December 31, 2005 and 2004, respectively.

10. REFINANCING OF LONG-TERM OBLIGATIONS

Prior to December 31, 2005, the county defeased certain general obligation bonds and Combined Sewer District Bonds by refinancing them and placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the county's financial statements. As of December 31, 2005 and 2004, respectively, approximately $712.1 and $795.7million of bonds outstanding are considered defeased.

11. PENSION PLANS

Plan Descriptions - The county participates in the New York State and Local Employees' Retirement System (ERS), the New York State and Local Police and Fire Retirement System (PFRS) and the Public Employees' Group Life Insurance Plan (Systems). These are cost-sharing multiple-employer defined benefit retirement systems. The Systems provide retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the Systems. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the Systems and for the custody and control of their funds. The Systems issue a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, 110 State Street, Albany, NY 12244.

11. PENSION PLANS (Continued)

Funding Policy - The Systems are noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976 who contribute 3% of their salary. The State legislature passed legislation in 2000 that suspends the 3% contribution for employees who have 10 years or more of credited service. In addition, members who meet certain eligibility requirement will receive one month's additional service credit for each completed year of service up to a maximum of two additional years of service credit. Under the authority of the NYSRSSL, the NYS Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by the employers to the pension accumulation fund. The county is required to contribute an actuarially determined amount.

In December 2004, GASB issued Technical Bulletin No. 2004-2, *Recognition of Pension and Other Post Employment Benefit Expenditures/Expense and Liabilities by Cost-Sharing Employers.* GASB TB 2004-2 clarifies GASB Statement No. 27, *Accounting for Pensions by State and Local Governments.*

In addition, legislation enacted in New York State during 2004 changed the date by which municipalities are required to make yearly New York State & Local Retirement System contributions, from December 15 to February 1 of the following year. Consistent with GASB's guidance, the county recognized this liability during 2004 for financial reporting purposes. As a result of the new State legislation, which was enacted to grant counties budgetary relief, the Nassau County Legislature established a reserve to fund anticipated higher pension costs in 2005, 2006 and 2008. During 2005, the county used approximately $35 million of the Retirement Contribution Reserve Fund to offset a portion the 2005 pension expense and $34.1 million was used to fund a portion of the prepayment the 2006 pension bill. Of the $78.5 surplus in the primary funds that was generated during 2005, the county transferred an additional $24.8 million to the Retirement Contribution Reserve Fund to fund future pension costs. The use of such funds to support budgetary relief will be under the control of the Nassau County Legislature.

11. PENSION PLANS (Continued)

The required contributions for the current year and two preceding years were (dollars in thousands):

	ERS	PFRS
2005	$ 61,399	$56,805
2004	59,092	58,805
2003	19,065	16,843

12. RECONCILIATION OF GAAP FUND BALANCES TO BUDGETARY BASIS

The following reconciles fund balances at December 31, 2005 as prepared on a GAAP basis to the budgetary basis of reporting (dollars in thousands):

	General	Police District Fund	Police Headquarters Fund	Debt Service Fund	Fire Prevention, Safety, Communication and Education Fund	County Parks and Recreation Fund	Nonmajor Governmental Funds
Fund Balances at December 31, 2005 prepared in accordance with GAAP	$ 153,543	$ 1,150	$ (6,452)	$	$ (33)	$ 833	$ 421,460
Add:							
Proceeds from NIFA Tax Certiorari and Other Judgments Borrowings	260,207						
Pension benefits - accrual basis only		3,707	6,452		33		
Less:							
Encumbrances	(67,956)					(833)	(29,859)
Payments to Refunded Escrow Agent							
Payments for Tax Certiorari and Other Judgments	(260,207)						
Unbudgeted Grant Fund							(10,430)
Unbudgeted Capital Fund							(99,843)
Unbudgeted NIFA Capital Projects Fund							(102,384)
Unbudgeted NCTSC General Fund							135
Open Space Fund							(393)
Unbudgeted Sewage Disposal Construction Fund							(10,991)
Unbudgeted Sewar and Storm Water District							(220)
Unbudgeted Sewage Collection Construction Fund							(2,479)
Unbudgeted NCTSC Debt Service Fund							(51,560)
Unbudgeted SFA Debt Service Fund							46,282
Unbudgeted SWA General Fund							(107,614)
Unbudgeted NIFA Debt Service Fund							(14,457)
Fund Balances at December 31, 2005 prepared on the budgetary basis of reporting	$ 85,587	$ 4,857	$	$	$	$	$ 37,647

12. RECONCILIATION OF GAAP FUND BALANCES TO BUDGETARY BASIS (Continued)

The following reconciles fund balances at December 31, 2004 as prepared on a GAAP basis to the budgetary basis of reporting (dollars in thousands):

	General	Police District Fund	Police Headquarters Fund	Debt Service Fund	Fire Prevention, Safety, Communication and Education Fund	County Parks and Recreation Fund	Nonmajor Governmental Funds
Fund Balances at December 31, 2004 prepared in accordance with GAAP	$ 152,753	$ 8,852	$ 3,832	$ 10,000	$ 425	$ 757	$ 486,707
Add:							
Proceeds from NIFA Tax Certiorari and Other Judgments Borrowings	207,739						
Less:							
Encumbrances	(67,123)	(3,982)	(3,832)		(425)	(757)	(16,175)
Payments to Refunded Escrow Agent	(9,076)						
Payments for Tax Certiorari and Other Judgments	(198,663)						
Unbudgeted Grant Fund							(34,669)
Unbudgeted Capital Fund							(92,953)
Unbudgeted NIFA Capital Projects Fund							(151,437)
Unbudgeted NCTSC General Fund							164
Open Space Fund							(338)
Unbudgeted Sewage Disposal Construction Fund							(39,514)
Unbudgeted Sewage Collection Construction Fund							(4,359)
Unbudgeted NCTSC Debt Service Fund							(47,550)
Unbudgeted SFA Debt Service Fund							8,659
Unbudgeted SWA General Fund							(69,587)
Unbudgeted NIFA Debt Service Fund							(12,126)
Fund Balances at December 31, 2004 prepared on the budgetary basis of reporting	$ 85,630	$ 4,870	$	$ 10,000	$	$	$ 26,822

13. DESIGNATION OF UNRESERVED FUND BALANCES

Portions of the unreserved fund balances at December 31, 2005 and 2004 were designated as sources of revenue in the ensuing year's operating budgets as follows (dollars in thousands)

Nonmajor Governmental Funds	Total Fund Balance Unreserved	Fund Balance Unreserved and Designated for Ensuing Year's Budget	Fund Balance Unreserved and Undesignated
December 31, 2005	$ 162,144	$ 52,087	$ 110,057
December 31, 2004	$ 261,234	$	$ 261,234
Major Governmental Funds			
December 31, 2005	$ 78,762	$ 13,367	$ 65,395

14. POST-EMPLOYMENT BENEFITS

Health Insurance - The county provides health care benefits in accordance with New York State Health Insurance Rules and Regulations administered by New York State Department of Civil Service (the NYSHIP plan). The county's several union contracts and ordinances require the county to provide all eligible enrollees with either the NYSHIP plan or other equivalent health insurance. Substantially all of the county's retirees and employees are enrolled in the NYSHIP/Empire Plan.

Under the provisions of the Empire Plan, premiums are adjusted on a prospective basis for any losses experienced by the Empire Plan. The county has the option to terminate its participation in the Empire Plan at any time without liability for its respective share of any previously incurred loss.

Eligibility for health benefits upon retirement are governed by bargaining unit, age, and years of service. The current CSEA agreement increased the years of service required with the county to be eligible for post retirement health insurance benefits for CSEA members to 10 years; all other bargaining units are eligible after 5 years of service. The county contributes 100% of the health insurance costs for the Government Employees Health Insurance program for all police officers and county employees who retired after December 31, 1975, with the exception of Ordinance employees retired after January 1, 2002 who are required to contribute either 5% or 10% of the cost depending on coverage. For employees who retired prior to December 31, 1975, the county's contribution is reduced in accordance with the union agreement applicable to their respective retirement dates.

The county recognizes the expenditure of providing current and postretirement health care benefits in the year to which the insurance premiums apply. Empire insurance premiums are billed in advance and therefore the county has recorded a prepaid asset for these amounts at December 31, 2005 and 2004. The total cost for providing health care benefits was $188.2 and $175.6 million in 2005 and 2004, respectively, of which approximately $92.9 and $90.0 million was for retirees and approximately $95.3 and $85.6 million was for active employees and other eligible individuals, in 2005 and 2004 respectively.

15. CONTINGENCIES AND COMMITMENTS

A. *Claims and Litigation*

The county, its officers and employees are defendants in litigation. Such litigation includes, but is not limited to, actions commenced and claims asserted against the county arising out of alleged torts, alleged breaches of contracts (which include union and employee disputes), condemnation proceedings, medical malpractice actions and other alleged violations of law, including those claims arising from events which occurred prior to the closing date of the Nassau Health Care Corporation of September 29, 1999. The county self-insures for everything except helicopter accidents and employee bonding. The county annually appropriates sums for the settlement of claims and litigation. The county intends to defend itself vigorously against all claims. Estimated liabilities of approximately $304.1 and $309.0 million for settlement of litigation and claims other than malpractice claims have been recorded as a long-term liability in the government-wide financial statement of net assets as of December 31, 2005 and 2004, respectively. The County Attorney is of the opinion that the ultimate settlement of such claims and litigation outstanding at December 31, 2005 will not result in a material adverse effect on the county's financial position. Approximately $9.9 and $9.8 million has been accrued as a liability at December 31, 2005 and 2004, respectively, related to malpractice claims where the County Attorney and NHCC management can reasonably estimate the ultimate outcome. The liability for certain other asserted and unasserted malpractice claims can not be estimated as of December 31, 2005. All malpractice occurrences prior to September 29, 1999 are the responsibility of the county. Subsequent occurrences are the responsibility of the NHCC.

B. *Tax Certioraris*

In fiscal 2005 and 2004, respectively, there were approximately 125,014 and 160,423 taxpayers' claims filed against Board of Assessors, for the incorrect determination of assessed valuation (certiorari proceedings) for the 2006 (May 1, 2005) and 2005 (May 1, 2004) assessment roll, respectively. During 2005, NIFA issued approximately $238.1 million of bonds and during 2004, NIFA issued approximately $194.7 million of bonds, on behalf of the county, to fund county tax certioraris judgments and settlements, bringing the total amount of bonds issued and outstanding by both the county and NIFA to approximately $1.6 billion at December 31, 2005 and $1.4 billion at December 31, 2004. This amount has been included with serial bonds reported in the government-wide financial statement of net assets. An amount estimated for future settlements and judgments of $131.0 million and $310.5 million has also been recorded as a long-term liability in the government-wide financial statement of net assets at December 31, 2005 and 2004, respectively.

Tax certiorari settlements are usually financed by the issuance of long-term debt or through BANs which are thereafter refinanced by bond issuances. For the year ended December 31, 2005, tax certiorari settlements were $250.7 million and were substantially financed by $238.1 million of NIFA bonds reported in the government-wide financial statement of net assets. Pursuant to NIFA enabling legislation, beginning in 2006, the county will pay substantially all property tax refunds from operating funds. For the year ended December 31, 2004, tax certiorari settlements were $184 million and were substantially financed by $189 million of NIFA bonds reported in the government-wide financial statement of net assets.

15. CONTINGENCIES AND COMMITMENTS (Continued)

C. *Contingencies under Grant Programs*

The county participates in a number of Federal and State grant programs. These programs are subject to financial and compliance audits by the grantors or their representatives. As of December 31, 2005, the audits of certain programs have not been completed. Provisions for certain expected disallowances, where considered necessary, have been made as of December 31, 2005. In the county's opinion, any additional disallowances resulting from these audits will not be material.

D. *Certain Third – Party Reimbursement Matters*

Net patient service revenue of NHCC's health facilities included amounts estimated to be reimbursable by third-party payor programs. Such amounts are subject to revision based on changes in a variety of factors as set forth in the applicable regulations. It is the opinion of NHCC's management that adjustments, if any, would not have a material effect on the county's financial position.

E. *Insurance*

The county carries property insurance on its police helicopters and a blanket fidelity bond covering all county employees. Essentially all other risks are assumed directly by the county. The county suffered no material property losses during 2005 and 2004. Settlements have not exceeded county insurance coverage for each of the past three years.

F. *Accumulated Vacation and Sick Leave Entitlements*

County employees are entitled to accumulate unused vacation leave and sick leave up to certain contractual amounts. At current salary levels, the county's liability for the payment of these accumulations is approximately $615.3 and $594.5 million at December 31, 2005 and 2004, respectively. At August 31, 2005 and 2004, the Nassau Community College's vacation leave and sick leave liability was $41.6 and $42.1 million, respectively.

G. *Deferred Payroll*

The county has entered into agreements with the Civil Service Employees' Association ("CSEA"), the Police Benevolent Association, ("PBA"), Superior Officers Association, ("SOA"), and the Detective Association, Inc. ("DAI"), and certain Ordinance employees, to defer 10 days pay which shall be paid to the employee on separation of service at the salary rate then in effect. The amount deferred at December 31, 2005 and 2004 was approximately $23.7 million and $22.6 million, respectively. This deferral is reported as a long-term liability in the government-wide financial statement of net assets, as certain contractual arrangements to provide for the payment of these commitments at specific dates in future fiscal periods. The College, a component unit of the county, entered into a similar agreement in 1992 payable to eligible employees on September 1, 2002. The amount deferred at the College close of August 31, 2005 and 2004 was approximately $1.2 million and $1.3 million, respectively, and is also reported in the government-wide financial statement of net assets. In addition, termination pay for

15. CONTINGENCIES AND COMMITMENTS (Continued)

G. *Deferred Payroll (Continued)*

accumulated leave in excess of $5,000 for CSEA members shall be paid by the county in three equal installments of accumulated days on the three consecutive Januarys following termination. The amount deferred at December 31, 2005 and 2004 was approximately $9.5 million and $13.3 million, respectively, and is also reported in the government-wide financial statement of net assets.

H. *Capital Commitments*

At December 31, 2005 and 2004, there were capital project contract commitments of $174.8 and $94.6 million, respectively.

I. *MTA Commitment*

The Metropolitan Transportation Authority ("MTA") paid $121.0 million cumulatively to the county pursuant to a mass transportation funding agreements in return for the county's provision in the future of $242.0 million for capital costs incurred by the MTA in connection with capital improvements and rolling stock. The $121.0 million could be used by the county for any purpose and was recognized in the General Fund in years 1999 and prior. The county has authorized capital appropriations of $242.0 million to meet its obligation which was financed by county bond issuances. As of December 31, 2005 and 2004, the county has repurchased and financed $221.0 million of capital improvements and rolling stock and a $21.0 million commitment remains at December 31, 2005 and 2004.

16. NASSAU HEALTH CARE CORPORATION ("NHCC") (dollars in thousands)

Effective September 29, 1999, the Nassau Health Care Corporation (the "NHCC") acquired the "Health Facilities" of the county. The purchase, pursuant to the terms of an acquisition agreement between the NHCC and the county (the "Acquisition Agreement"), resulted in the transfer of all real property owned by the county on which the Nassau University Medical Center and A. Holly Patterson Extended Care are situated, as defined. Additionally, as defined in the Acquisition Agreement, the county assumed the net accounts receivable and the majority of liability balances, as defined, of the Health Facilities which existed on September 28, 1999, as well as commitments to making annual historic mission payments, funding certain capital projects and other costs associated with NHCC.

Going Concern, Liquidity and Stabilization agreement

At December 31, 2005 and 2004, the Corporation had total net assets (deficiency) of $77,184 and $64,971, respectively. For the years ended December 31, 2005 and 2004, the Corporation had incurred deficiencies of revenue over expenses of $12,213 and $18,638, respectively, which include the favorable impact of rate settlements and revisions to estimates of $2,832 for the year ended December 31, 2004 (none in 2005).

In January 2004, the County's consultants issued a comprehensive report outlining various options regarding the Corporation's future existence. The report contains many suggestions for operational improvements that management is in varying stages of implementing, including the continued right-sizing of the labor force to

16. NASSAU HEALTH CARE CORPORATION ("NHCC") (Continued) (dollars in thousands)

Going Concern, Liquidity and Stabilization agreement (Continued)

industry standards. The Corporation's continued existence is dependent upon returning to profitability, continued progress with collecting on patient accounts, especially those accounts eligible for Medicaid that are being processed by the Department of Social Services, and the successful execution of the successor agreement to the September 30, 2004 Stabilization agreement. The Corporation continues to execute actions intended to improve its financial condition. Such actions include continued revenue cycle enhancements, changes to medical management practices, improved supply chain and inventory management and further cost reductions. The ultimate success of these initiatives cannot be determined.

The above matters raise substantial doubt about the Corporation's ability to continue as a going concern. The accompanying consolidated financial statements do not include any adjustments that might result from the outcome of these uncertainties.

17. FUND BALANCE DEFICIT

The following nongovernmental funds reported deficits as of December 31 (in thousands):

	2005	2004
Tobacco Settlement Corporation:		
General Fund	$ (135)	$ (164)
Debt Service Fund	51,560	47,550
Total	$ 51,425	$ 47,386
Sewer Financing Authority:		
General Fund	$ 111,470	$ 69,587
Debt Service Fund	(62,023)	(8,659)
Total	$ 49,447	$ 60,928

* * * * * *

APPENDIX B
FORM OF BOND COUNSEL OPINION

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FORM OF BOND COUNSEL OPINION

[Letterhead of Orrick, Herrington & Sutcliffe LLP]

December __, 2006

County of Nassau,
State of New York

Re: County of Nassau, New York

___% $150,000,000* TAX ANTICIPATION NOTES, 2006

consisting of

__% $100,000,000* Tax Anticipation Notes, 2006 Series A

__% $50,000,000* Tax Anticipation Notes, 2006 Series B

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the County of Nassau, New York (the "County"), of $150,000,000* aggregate principal amount of Tax Anticipation Notes, 2006, dated December __, 2006 consisting of $100,000,000* Tax Anticipation Notes, 2006, Series A (the "Series A Notes") and $50,000,000* Tax Anticipation Notes, 2006 Series B (the "Series B Notes", and with the Series A Notes, collectively, the "Notes"). The Notes are issued pursuant to the Constitution and statutes of the State of New York and proceedings of the finance board of the County.

In such connection, we have reviewed the Constitution and statutes of the State of New York, the Tax Certificate of the County dated the date hereof (the "Tax Certificate"), the Tax Anticipation Note Certificate of the County dated the date hereof (the "County TAN Certificate"), a certified copy of proceedings of the finance board of the County and such other documents and matters to the extent we deemed necessary to render the opinions set forth herein.

Certain agreements, requirements and procedures contained or referred to in the County TAN Certificate, the Tax Certificate and other relevant documents may be changed and certain actions (including, without limitation, the defeasance of Notes) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. No opinion is expressed herein as to any Note or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than ourselves.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Our engagement with respect to the Notes has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the

* Preliminary, subject to change.

County. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the County TAN Certificate and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to ensure that future actions, omissions or events will not cause interest on the Notes to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Notes, the County TAN Certificate, and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against counties in the State of New York. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum or waiver provisions contained in the documents described in the second paragraph hereof. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering materials relating to the Notes and express no opinion with respect thereto.

Based on and subject to the foregoing and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Notes constitute valid and binding obligations of the County.

2. The County TAN Certificate has been duly executed and remains in full force and effect.

3. The County Legislature has power and is obligated to levy ad valorem taxes without limitation as to rate or amount upon all property within the County's boundaries subject to taxation by the County for the payment of the Notes and the interest thereon.

4. Interest on the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York). Interest on the Notes is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that interest on the Notes is included in adjusted current earnings in calculating corporate alternative minimum taxable income. We express no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Notes.

APPENDIX C
TAX RATES

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TAX RATES

Figures 1 and 2 show County tax rates. The tables do not include local, town, city, school, village or special district tax rates for the respective political subdivisions in the County.

FIGURE 1
GENERAL COUNTY TAX RATES
COUNTY-WIDE PURPOSES BY FUND AND CLASS (I-IV)
PER $100 OF ASSESSED VALUATION - FISCAL YEAR BEGINNING AS SHOWN

	Town of Hempstead					Town of North Hempstead					Town of Oyster Bay				
	1/1/07	1/1/06	1/1/05	1/1/04	1/1/03	1/1/07	1/1/06	1/1/05	1/1/04	1/1/03	1/1/07	1/1/06	1/1/05	1/1/04	1/1/03
General County (a)															
I	18.965	6.092	4.897	5.958	3.505	18.968	6.094	4.919	5.972	3.505	18.961	6.092	4.915	5.971	3.506
II	15.990	13.049	22.348	25.245	4.225	15.993	13.050	22.370	25.259	4.225	15.986	13.048	22.366	25.258	4.225
III	19.896	18.352	29.041	30.679	0.507	19.898	18.354	29.064	30.694	0.507	19.892	18.352	29.059	30.692	0.507
IV	14.085	12.239	19.076	22.459	3.027	14.088	12.241	19.098	22.473	3.026	14.081	12.238	19.094	22.472	3.027
Community College															
I	6.957	3.908	2.259	2.095	1.107	6.957	3.908	2.259	2.095	1.107	6.957	3.908	2.259	2.095	1.107
II	6.212	6.105	6.685	6.437	1.273	6.212	6.105	6.685	6.437	1.273	6.212	6.105	6.685	6.437	1.273
III	7.190	7.781	8.382	7.660	0.414	7.190	7.781	8.382	7.660	0.414	7.190	7.781	8.382	7.660	0.414
IV	5.734	5.850	5.855	5.810	0.997	5.734	5.850	5.855	5.810	0.997	5.734	5.850	5.855	5.810	0.997
Police Headquarters															
I	41.706	21.873	12.867	11.728	6.770	41.706	21.873	12.867	11.728	6.770	41.706	21.873	12.867	11.728	6.770
II	37.238	34.172	38.073	36.002	7.787	37.238	34.172	38.073	36.002	7.787	37.238	34.172	38.073	36.002	7.787
III	43.103	43.550	47.740	42.844	2.533	43.103	43.550	47.740	42.844	2.533	43.103	43.550	47.740	42.844	2.533
IV	34.377	32.740	33.347	32.495	6.093	34.377	32.740	33.347	32.495	6.093	34.377	32.740	33.347	32.495	6.093
Fire Prevention															
I	2.300	1.352	0.791	0.875	0.459	2.300	1.352	0.791	0.875	0.459	2.300	1.352	0.791	0.875	0.459
II	2.054	2.112	2.339	2.687	0.527	2.054	2.112	2.339	2.687	0.527	2.054	2.112	2.339	2.687	0.527
III	2.377	2.692	2.933	3.197	0.172	2.377	2.692	2.933	3.197	0.172	2.377	2.692	2.933	3.197	0.172
IV	1.896	2.024	2.049	2.425	0.413	1.896	2.024	2.049	2.425	0.413	1.896	2.024	2.049	2.425	0.413
County Parks															
I	Part of	4.596	2.599	2.264	1.213	Part of	4.596	2.599	2.264	1.213	Part of	4.596	2.599	2.264	1.213
II	General	7.180	7.691	6.956	1.395	General	7.180	7.691	6.956	1.395	General	7.180	7.691	6.956	1.395
III	County	9.150	9.643	8.278	0.454	County	9.150	9.643	8.278	0.454	County	9.150	9.643	8.278	0.454
IV	for 2007	6.879	6.736	6.278	1.092	for 2007	6.879	6.736	6.278	1.092	for 2007	6.879	6.736	6.278	1.092
Environmental Bond															
I	0.631	Not	Not	Not	Not	0.631	Not	Not	Not	Not	0.631	Not	Not	Not	Not
II	0.564	Levied	Levied	Levied	Levied	0.564	Levied	Levied	Levied	Levied	0.564	Levied	Levied	Levied	Levied
III	0.652	For	For	For	For	0.652	For	For	For	For	0.652	For	For	For	For
IV	0.520	2006	2005	2004	2003	0.520	2006	2005	2004	2003	0.520	2006	2005	2004	2003

(a) The County Legislature determines the general County tax rate for each of the towns and cities in the County after allocation of certain sales and compensating use tax revenues in the County.

FIGURE 2
GENERAL COUNTY TAX RATES
COUNTY-WIDE PURPOSES, BY FUND AND CLASS (I-IV)

PER $100 OF ASSESSED VALUATION - FISCAL YEAR BEGINNING AS SHOWN

	City of Glen Cove					City of Long Beach				
	1/1/07	1/1/06	1/1/05	1/1/04	1/1/03	1/1/07	1/1/06	1/1/05	1/1/04	1/1/03
General County (a)										
I	18.979	6.120	4.890	5.961	3.508	27.766	12.367	8.904	9.295	4.789
II	16.004	13.076	22.341	25.248	4.228	24.792	19.324	26.355	28.582	5.508
III	19.909	18.380	29.035	30.683	0.510	28.697	24.627	33.048	34.017	1.790
IV	14.099	12.266	19.069	22.463	3.030	22.887	18.514	23.083	25.797	4.310
Community College										
I	6.957	3.908	2.259	2.095	1.107	6.957	3.908	2.259	2.095	1.107
II	6.212	6.105	6.685	6.437	1.273	6.212	6.105	6.685	6.437	1.273
III	7.190	7.781	8.382	7.660	0.414	7.190	7.781	8.382	7.660	0.414
IV	5.734	5.850	5.855	5.810	0.997	5.734	5.850	5.855	5.810	0.997
Police Headquarters										
I	41.706	21.873	12.867	11.728	6.770	41.706	21.873	12.867	11.728	6.770
II	37.238	34.172	38.073	36.002	7.787	37.238	34.172	38.073	36.002	7.787
III	43.103	43.550	47.740	42.844	2.533	43.103	43.550	47.740	42.844	2.533
IV	34.377	32.740	33.347	32.495	6.093	34.377	32.740	33.347	32.495	6.093
Fire Prevention										
I	2.300	1.352	0.791	0.875	0.459	2.300	1.352	0.791	0.875	0.459
II	2.054	2.112	2.339	2.687	0.527	2.054	2.112	2.339	2.687	0.527
III	2.377	2.692	2.933	3.197	0.172	2.377	2.692	2.933	3.197	0.172
IV	1.896	2.024	2.049	2.425	0.413	1.896	2.024	2.049	2.425	0.413
County Parks										
I	Part of	4.596	2.599	2.264	1.213	Part of	4.596	2.599	2.264	1.213
II	General	7.180	7.691	6.956	1.395	General	7.180	7.691	6.956	1.395
III	Fund	9.150	9.643	8.278	0.454	Fund for	9.150	9.643	8.278	0.454
IV	for 2007	6.879	6.736	6.278	1.092	2007	6.879	6.736	6.278	1.092
Environmental Bond										
I	0.631	Not	Not	Not	Not	0.631	Not	Not	Not	Not
II	0.564	Levied	Levied	Levied	Levied	0.564	Levied	Levied	Levied	Levied
III	0.652	For	For	For	For	0.652	For	For	For	For
IV	0.520	2006	2005	2004	2003	0.520	2006	2005	2004	2003

(a) The County Legislature determines the general County tax rate for each of the towns and cities in the County after allocation of certain sales and compensating use tax revenues in the County.

Figure 3 shows tax rates for special districts in the County. Beginning in 2004, County sewage collection and disposal districts became zones of assessment within the consolidated Nassau County Sewer and Storm Water Resources District.

FIGURE 3
TAX RATES OF COUNTY FOR SPECIAL DISTRICTS/ZONES OF ASSESSMENT
BY FUND AND CLASS (I-IV)
PER $100 OF ASSESSED VALUATION-FISCAL YEAR BEGINNING AS SHOWN

	1/1/07	1/1/06	1/1/05	1/1/04	1/1/03
Police District					
I	52.412	31.048	17.691	16.932	9.247
II	55.049	56.928	53.867	49.625	9.679
III	160.156	190.842	175.221	174.579	9.201
IV	61.009	61.735	57.307	54.593	9.471
Sewage Districts:					
Disposal District No. 1					
I	19.886	11.799	7.452	7.366	4.120
II	10.143	11.595	12.165	11.899	4.072
III	64.429	68.839	75.988	77.468	4.072
IV	22.663	22.945	22.854	22.541	4.193
Disposal District No. 2					
I	14.173	10.403	6.333	6.217	3.427
II	14.833	18.736	18.706	17.955	3.641
III	44.280	63.771	62.612	64.443	3.406
IV	16.855	21.077	21.101	20.622	3.476
Disposal District No. 3					
I	15.177	8.852	5.499	5.181	2.939
II	15.392	15.793	16.232	14.934	3.016
III	45.809	50.649	52.052	51.539	2.924
IV	16.901	16.893	16.898	15.748	3.026
Collection District No. 1					
I	19.578	14.206	8.972	8.868	4.960
II	9.985	13.959	14.646	14.326	4.903
III	63.428	82.880	91.487	93.269	4.903
IV	22.311	27.625	27.515	27.139	5.048
Collection District No. 2[(a)]					
I	6.605	4.756	2.904	2.857	1.522
II	7.278	9.604	9.725	9.567	1.551
III	22.395	30.294	29.203	29.970	1.495
IV	5.819	6.950	6.617	6.539	1.526
Collection District No. 3[(a)]					
I	5.999	5.289	3.278	3.275	1.746
II	6.069	9.507	9.564	9.285	1.777
III	18.494	30.908	31.525	32.662	1.737
IV	7.008	10.635	10.635	10.474	1.793

[(a)] Rate shown is the average rate of all former districts/zones of assessment within each listed district.

Property Tax Levies

Figure 4 below lists the percentage of the total tax levy of all political subdivisions (by category) that real property taxes bear in relation to each other.

FIGURE 4
COUNTY OF NASSAU, NEW YORK
PROPERTY TAX LEVIES
COUNTY, TOWN, CITY, VILLAGE GOVERNMENTS AND SPECIAL DISTRICTS
2001 THROUGH 2004
($ in THOUSANDS)

	2004		2003		2002		2001	
	Tax Levy	% of Total	Tax Levy	% of Total	Tax Levy	% of Total	Tax Levy	% of Total
Nassau County Government	781,828	17.50%	780,211	18.45%	655,612	16.87%	600,985	16.54%
Sewage & Storm Water Consolidated	138,932	3.11%	0	0.00%	0	0.00%	0	0.00%
Sewage Collection-N.C.		0.00%	102,422	2.42%	39,290	1.01%	104,805	2.88%
Sewage Disposal-N.C.		0.00%	40,217	0.95%	100,131	2.58%	38,192	1.05%
Town and City Governments	183,267	4.10%	175,251	4.14%	165,369	4.26%	161,635	4.45%
Villages-Incorporated	330,851	7.41%	311,028	7.35%	328,463	8.45%	258,155	7.10%
School	2,618,054	58.60%	2,431,227	57.49%	2,229,206	57.36%	2,111,613	58.10%
Special Districts:								
Fire	84,143	1.88%	78,685	1.86%	76,239	1.96%	73,344	2.02%
Fire Protection	14,239	0.32%	13,595	0.32%	12,751	0.33%	12,126	0.33%
Garbage, Refuse & Sanitary	169,131	3.79%	160,868	3.80%	150,799	3.88%	147,420	4.06%
Lighting	12,643	0.28%	12,027	0.28%	12,010	0.31%	11,792	0.32%
Park	54,730	1.23%	51,548	1.22%	47,496	1.22%	47,546	1.31%
Parking & Improvement	38,582	0.86%	33,876	0.80%	32,528	0.84%	32,337	0.89%
Sewage Special	11,501	0.26%	11,258	0.27%	11,051	0.28%	10,576	0.29%
Water	29,405	0.66%	27,094	0.64%	25,504	0.66%	23,772	0.65%
Total Special Districts:	414,374	9.28%	388,951	9.20%	368,378	9.48%	358,913	9.88%
Totals	4,467,306	100.00%	4,229,307	100.00%	3,886,449	100.00%	3,634,298	100.00%

Data extracted from County of Nassau, Comprehensive Annual Financial Report of the Comptroller for the Fiscal Years ended December 31, 2005 and 2004. Data for 2005 and later is not available for all jurisdictions at this time

APPENDIX D
OUTSTANDING OBLIGATIONS

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General Obligation Bonds of the County of Nassau, New York (the "County") and Nassau County Interim Finance Authority ("NIFA") Bonds

As of October 31, 2006

County Serial General Improvement Bonds

Dated Date		Original Issue Size	Original Interest Rates	Maturity	Principal Outstanding As of 10/31/06
5/1/00	Series 2000E general	$90,000,000	5.25% -7.00%	2002 -2020	$22,625,000
5/1/00	Series 2000F general	151,149,000	6.50% -7.00%	2001 -2020	26,910,000
9/1/99	Series 1999D general	61,964,000	5.25% -5.30%	2001 -2019	5,640,000
7/1/99	Series 1999C general	138,388,000	5.13% -5.25%	2001 -2019	50,395,000
6/1/99	Series 1999B general	141,800,000	4.50% -5.25%	2001 -2024	23,350,000
4/1/99	Series 1999A general	83,256,000	3.50% -4.50%	2000 -2018	23,875,000
8/1/98	Series 1998Z general	179,272,000	4.00% -5.00%	1999 -2017	37,215,000
3/1/98	Series 1998Y general	95,168,000	4.00% -5.00%	1999 -2017	30,895,000
10/15/97	Series 1997X general	88,291,000	4.80% -5.10%	1998 -2016	16,430,000
8/1/97	Series 1997A Refunding general	110,230,000	3.85% -6.00%	1998 -2013	54,295,000
7/15/97	Series 1997W general	191,185,000	4.50% -5.00%	1998 -2016	24,710,000
3/1/97	Series 1997V general	185,365,000	5.13% -5.25%	1998 -2016	34,515,000
11/1/96	Series 1996U general	89,860,000	5.13% -5.25%	1997 -2015	10,455,000
8/1/96	Series 1996T general	117,100,000	5.13% -5.20%	1997 -2015	5,130,000
3/1/96	Series 1996S general	119,930,000	5.00% -5.13%	1997 -2015	6,010,000
11/1/95	Series 1995R general	94,785,000	5.00% -5.13%	1996 -2014	4,295,000
11/1/94	Series 1994A Refunding general	93,910,000	6.30% -6.50%	1995 -2013	14,365,000
2/24/94	Series 1993J Refunding general	168,850,000	2.20% -6.50%	1994 -2015	545,000
10/15/93	Series 1993H Refunding general	91,350,000	5.50% -5.75%	1994 -2005	3,780,000
8/31/93	Series 1985X general	7,730,000	3.20% -5.00%	1993 -2008	1,830,000
6/10/93	Series 1985W general	73,740,000	2.40% -5.50%	1993 -2017	575,000
11/1/85	Series 1984V general	35,680,000	7.80% -8.00%	1986 -2015	1,035,000
7/1/85	Series 1984U general	20,560,000	7.30% -7.40%	1986 -2015	280,000
11/1/84	Series 1983T general	31,880,000	8.50% -8.80%	1985 -2014	2,170,000
7/1/84	Series 1983R general	21,980,000	9.00% -9.30%	1985 -2014	1,320,000
12/1/83	Series 1982Q general	38,230,000	8.50% -8.80%	1984 -2013	240,000
3/1/83	Series 1982P general	44,080,000	8.00% -8.10%	1984 -2012	625,000
12/1/82	Series 1981N general	18,860,000	9.38% -9.38%	1983 -2011	510,000
7/1/82	Series 1980M general	28,060,000	11.25% -11.50%	1983 -2011	1,055,000
5/1/81	Series 1980L general	33,530,000	9.10% -10.00%	1982 -2011	45,000
10/1/80	Series 1978H general	22,540,000	8.70% -9.00%	1981 -2009	300,000
7/15/80	Series 1977G general	5,905,000	8.00% -8.40%	1981 -2009	225,000
5/1/78	Series 1977A Comm. College	15,695,000	6.00% -6.25%	1979 -2007	690,000
11/1/77	Series 1977F general	24,545,000	5.50% -6.00%	1978 -2006	75,000
11/1/77	Series 1976E general	20,000,000	5.50% -5.60%	1978 -2006	100,000
Total					$406,510,000

County Combined Sewer Districts Bonds

Dated Date		Original Issue Size	Original Interest Rates	Maturity	Principal Outstanding As of 10/31/06
5/1/00	Series 2000F sewers	$12,832,000	6.25% -7.00%	2001 -2020	$2,480,000
9/1/99	Series 1999E sewers	810,000	5.75% -5.80%	2001 -2019	160,000
7/1/99	Series 1999D sewers	1,957,000	5.30% -5.50%	2001 -2019	1,435,000
4/1/99	Series 1999C sewers	1,575,000	4.75% -4.88%	2000 -2018	1,060,000
8/1/98	Series 1998B sewers	1,421,000	5.00% -5.00%	1999 -2017	895,000
3/1/98	Series 1998A sewers	6,766,000	4.90% -5.00%	1999 -2017	2,665,156
11/1/97	Series 1997A Refunding sewers	20,545,000	4.50% -6.00%	2000 -2013	12,230,000
7/15/97	Series 1997Y sewers	3,205,000	5.00% -5.00%	1998 -2016	684,383
3/1/97	Series 1997 X sewers	4,715,000	5.25% -5.38%	1998 -2016	666,557
8/1/96	Series 1996W sewers	1,960,000	5.25% -5.38%	1997 -2015	529,643
3/1/96	Series 1996V sewers	1,565,000	5.00% -5.40%	1997 -2015	35,000
8/1/95	Series 1995S sewers	7,845,000	5.38% -5.38%	1996 -2014	150,000
2/24/94	Series 1994B Refunding sewers	83,835,000	2.20% -6.00%	1994 -2016	23,590,000
8/31/93	Series 1993I Refunding sewers	29,910,000	3.20% -5.00%	1993 -2008	3,410,000
6/10/93	Series 1993G Refunding sewers	80,845,000	2.80% -5.45%	1994 -2015	25,345,000
6/10/93	Series 1993F Refunding sewers	89,665,000	2.40% -5.40%	1993 -2010	15,455,000
6/10/93	Series 1993E Refunding sewers	35,045,000	2.80% -5.50%	1994 -2016	11,250,000
10/1/80	Series 1980R sewers	2,455,000	8.70% -9.00%	1981 -2010	320,000
5/1/78	Series 1978M sewers	37,590,000	6.00% -6.25%	1979 -2008	2,450,000
11/1/77	Series 1977L sewers	19,545,000	5.50% -6.00%	1978 -2006	675,000
6/1/77	Series 1977K sewers	15,970,000	5.20% -6.00%	1978 -2007	460,000
12/1/76	Series 1976J sewers	13,670,000	6.60% -7.00%	1977 -2006	450,000
Total					$106,395,739

County Bonds Issued to the New York State Environmental Facilities Corporation ("EFC")

Dated Date		Original Issue Size	Original Interest Rates	Maturity	Principal Outstanding As of 10/31/06
3/3/05	EFC Series 2005 A	$1,774,980	2.09% -4.57%	2006 -2034	$1,724,980
3/4/04	EFC Series 2004 B	4,065,914	1.06% -4.60%	2004 -2028	3,770,914
7/24/03	EFC Series 2003F	8,506,016	0.77% -4.61%	2004 -2029	7,685,000
3/20/03	EFC Series 2003B	42,530,000	2.54% -6.26%	2003 -2029	36,785,000
8/7/02	EFC Series 2002I	36,018,000	1.81% -5.38%	2003 -2022	30,541,000
7/25/02	EFC Series 2002G	7,380,000	2.03% -5.80%	2003 -2028	6,535,000
6/20/02	EFC Series 2002F	59,220,000	2.52% -6.18%	2003 -2024	50,835,000
12/16/98	EFC Series 1998G	20,780,000	2.95% -4.90%	1999 -2017	10,095,000
10/15/92	EFC Series 1992A	28,870,000	3.00% -6.65%	1993 -2012	1,991,769
10/15/92	EFC Series 1992B	32,869,000	3.25% -6.60%	1993 -2012	4,965,000
5/15/91	EFC Series 1991B	35,010,000	4.75% -7.10%	1992 -2011	609,000
Total					$155,537,663

Nassau County Interim Finance Authority Bonds

Dated Date		Original Issue Size	Original Interest Rates	Maturity	Principal Outstanding As of 10/31/06
12/15/05	NIFA Series 2005D	$143,795,000	3.25%-5.00%	2007-2025	$143795000
7/14/05	NIFA Series 2005C	61,150,000	ARS	2007-2025	61,150,000
7/14/05	NIFA Series 2005B	61,150,000	ARS	2007-2025	61,150,000
7/14/05	NIFA Series 2005A	124,200,000	3.25%-5.00%	2011-2024	124,200,000
12/9/04	NIFA Series 2004 H,I,J,K	337,275,000	ARS	2005-2025	334,020,000
4/8/04	NIFA Series 2004 B,C,D,E,F,G	450,000,000	ARS	2013-2024	450,000,000
4/8/04	NIFA Series 2004A	153,360,000	2.00%-5.00%	2005-2013	149,525,000
5/21/03	NIFA Series 2003 A&B	514,475,000	2.00%-6.00%	2004-2023	479,925,000
7/10/02	NIFA Series 2002 A&B	225,650,000	VRDB	2003-2022	207,655,000
6/27/01	NIFA Series 2001A	181,480,000	4.00%-5.37%	2002-2021	62,695,000
10/25/00	Series NIFA 2000A	254,720,000	4.50%-5.75%	2002-2020	12,845,000
Total					$2,086,960,000
Total County and NIFA Obligations					$2,755,403,402

APPENDIX E
UNDERLYING INDEBTEDNESS OF POLITICAL SUBDIVISIONS WITHIN THE COUNTY

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UNDERLYING INDEBTEDNESS OF POLITICAL SUBDIVISIONS WITHIN THE COUNTY

The estimated gross outstanding bonded indebtedness of other governmental entities and political subdivisions within the County, based on unverified information furnished by such entities, is described below. These figures also include the gross outstanding bonded indebtedness of the County. These figures do not include the indebtedness of the school districts and certain other taxing districts within the County. The figures are shown as of December 31 for each of the years as shown. The underlying indebtedness is an aggregate figure so that the gross bonded debt per capita and net bonded debt per capita figures show only total bonded debt in the County divided by the estimated population in the County. Actual per capita bonded debt varies as a function of geographic and jurisdictional location within the County.

FIGURE 1
GENERAL COUNTY GOVERNMENT, TOWNS AND CITIES
COMPUTATION OF DIRECT AND OVERLAPPING NET DEBT
FOR THE FISCAL PERIODS ENDED AS SHOWN (DOLLARS IN THOUSANDS)

	2004		2003		2002		2001		2000	
DIRECT DEBT, COUNTY OF NASSAU:										
General Government:										
Bonds	$3,091,974	*	$2,933,339	*	$2,870,029	*	$2,868,307	*	$2,911,365	*
Other Debt Obligations	0		0	*	202,155	*	465,965	*	224,360	*
Total	3,091,974		2,933,339		3,072,184		3,334,272		3,135,725	
Sewage Disposal District #1:										
Bonds	0		11,027		11,550		12,280		13,123	
Other Debt Obligations	0		0		0		0		0	
Total	0		11,027		11,550		12,280		13,123	
Sewage Collection District #1:										
Bonds	0		2,089		2,221		2,417		2,610	
Other Debt Obligations	0		0		0		0		0	
Total	0		2,089		2,221		2,417		2,610	
Sewage Disposal District #2:										
Bonds	0		150,218		169,994		184,629		199,432	
Other Debt Obligations	0		0		0		0		0	
Total	0		150,218		169,994		184,629		199,432	
Sewage Collection District #2:										
Bonds	0		25,296		27,496		29,999		32,539	
Other Debt Obligations	0		0		0		0		0	
Total	0		25,296		27,496		29,999		32,539	
Sewage Disposal District #3:										
Bonds	0		120,931		131,331		150,347		163,986	
Other Debt Obligations	0		0		0		0		0	
Total	0		120,931		131,331		150,347		163,986	
Sewage Collection District #3:										
Bonds	0		106,886		122,659		139,477		156,949	
Other Debt Obligations	0		0		0		2,696		2,696	
Total	0		106,886		122,659		142,173		159,645	
Sewer & Storm Water District Fund										
Bonds	400,458		0		0		0		0	
Other Debt Obligations	0		0		0		0		0	
Total	400,458		0		0		0		0	
Total Direct Debt, County of Nassau:										
Bonds	3,492,432		3,349,786		3,335,280		3,387,456		3,480,004	
Other Debt Obligations	0		0		202,155		468,661		227,056	
Total	$3,492,432		$3,349,786		$3,537,435		$3,856,117		$3,707,060	

*Beginning with fiscal year 1999, County of Nassau direct debt also includes blended component units, NHCC (proprietary component unit) and DASNY debt.

SOURCE: County of Nassau, Comprehensive Annual Financial Report of the Comptroller for Fiscal Years ended December 31, 2005 and 2004 (including data received from respective towns and cities as to which the County makes no representations). Such data for 2005 and later is not yet available.

FIGURE 2
GENERAL COUNTY GOVERNMENT, TOWNS AND CITIES
COMPUTATION OF DIRECT AND OVERLAPPING NET DEBT
FOR THE FISCAL PERIODS AS SHOWN
(DOLLARS IN THOUSANDS)

	2004	2003	2002	2001	2000
OVERLAPPING DEBT, TOWNS AND CITIES:					
Town of Hempstead					
Bonds	$988,954	$871,471	$801,123	$737,337	$724,874
Other Debt Obligations	77,920	152,269	90,467	113,413	29,488
Less Sinking Funds	(1,605)	(1,611)	(1,511)	(1)	(1,501)
Total	1,065,269	1,022,129	890,079	850,749	752,861
Town of North Hempstead:					
Bonds	599,574	619,421	487,111	430,789	435,450
Other Debt Obligations	63,990	98,143	135,633	109,528	42,656
Less Sinking Funds	(114)	(53)	(53)	0	(95)
Total	663,450	717,529	622,691	540,317	478,011
Town of Oyster Bay:					
Bonds	626,207	566,167	502,638	453,624	362,325
Other Debt Obligations	76,152	74,153	62,479	106,283	115,952
Less Sinking Funds	-	871	(871)	0	0
Total	702,359	639,449	564,246	559,907	478,277
City of Glen Cove:					
Bonds	34,605	28,530	32,309	37,765	38,248
Other Debt Obligations	16,054	19,115	17,661	7,377	5,794
Total	50,659	47,645	49,970	45,142	44,042
City of Long Beach:					
Bonds	64,673	34,204	37,275	40,205	27,758
Other Debt Obligations	0	10,000	4,065	7,050	13,312
Less Sinking Funds	-	(418)	(576)	(781)	(1,033)
Total	64,673	43,786	40,764	46,474	40,037
Total Overlapping Debt, Towns and Cities:					
Bonds	2,314,013	2,119,793	1,860,456	1,699,720	1,588,655
Other Debt Obligations	234,118	353,680	310,305	343,651	207,202
Less Sinking Funds	(1,719)	(2,935)	(3,011)	(782)	(2,629)
Total	2,546,412	2,470,538	2,167,750	2,042,589	1,793,228
TOTAL DIRECT & OVERLAPPING NET DEBT:					
Bonds	5,806,445	5,439,579	5,195,736	5,087,176	5,068,659
Other Debt Obligations	234,116	353,680	512,460	812,312	434,258
Less Sinking Funds	(1,719)	(2,935)	(3,011)	(782)	(2,629)
Total	$6,038,842	$5,820,324	$5,705,185	$5,898,706	$5,500,288

SOURCE: County of Nassau Comprehensive Annual Financial Report of the Comptroller for Fiscal Years ended December 31, 2005 and 2004 (including data received from respective town and cities as to which the County makes no representations). Such data for 2005 and later is not yet available.

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APPENDIX F
COUNTY WORKFORCE

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COUNTY WORKFORCE

As of October 26, 2006, the full-time County workforce totaled 8,960, including 8,900 direct County employees and 60 contract employees. This represents a decrease of 515 full-time positions when compared to January 1, 2002 and is evidence of the County's workforce reduction initiative.

County Employees

County employees are represented by five labor organizations recognized under the provisions of the New York State Taylor Law. These are the Nassau County Civil Service Employees Association ("CSEA"), the Nassau County Police Benevolent Association ("PBA"), the Detectives Association, Inc. ("DAI"), the Superior Officers Association ("SOA") and the Sheriff Officers Association ("ShOA"). The following table summarizes labor organization enrollment:

Full Time County Workforce as of October 26, 2006

Labor Organization	Full-Time Employees
CSEA	4,488
PBA	1,780
DAI	424
SOA	423
ShOA	1,066
Other	779
Total	**8,960**

Civil Service Employees Association (CSEA)

The CSEA represents all County titles other than those represented by the other unions and those titles classified as management or confidential. The County negotiated an agreement with the CSEA on a labor contract for the period from January 1, 2003 through December 31, 2007, that subsequently was ratified by the union membership and approved by the County Legislature on August 15, 2003.

The agreement contained the following key provisions:

- Contained no wage increase for the retroactive component of the contract term (January 1, 2003 through June 30, 2003) and a 2.5% increase on July 1, 2003;
- Tied all future wage increases after 2003 to inflation (June-June annual growth in the New York Region CPI-U), with a maximum annual increase of 3.5% and a minimum annual increase of 2.5%;
- Imposed a mandatory buyback of duplicate health insurance coverage for employees whose spouses also work for the County and who also are members of the CSEA;
- Lengthened the workday by 15 minutes for those employees previously working less than 37.5 hours per week;
- Established hazardous duty pay for certain job classes;

- Capped compensatory time accumulation at 240 hours;

- Included domestic partners in all benefits currently received by married spouses of County employees; and

- Contained a gain-sharing provision that would encourage the implementation of health insurance reform measures to generate savings that would be shared by the County and CSEA employees.

The wage package is as follows:

Effective Date	**Wage Increase**
1/01/03	0.0 %
7/01/03	2.5 %
1/01/04	2.8 %
1/01/05	3.5 %
1/01/06*	2.5 % to 3.5 %
1/01/07*	2.5 % to 3.5 %

*Dependent on the CPI growth in preceding year.

Police Benevolent Association (PBA)

The PBA represents the all of the County's full-time police officers. On September 15, 2003, the panel for the PBA interest arbitration issued its award to both parties, covering the six-year period from January 1, 2001 through December 31, 2006.

The contract established by the award contained the following key provisions:

- Contained an 18-month wage freeze, including no retroactive wage increase for 2001 and a six-month wage freeze in 2005 (19.5% total wage increase over 6 years);

- Limited total compensation growth to 10.5% over the course of the six-year award, for an average annual increase of 1.75%;

- Reduced paid shift differential by 3.5 hours, such that "night shift" premiums no longer begin before noon;

- Eliminated Flag Day as a paid holiday,

- Added 48 hours of work per year – paid at straight time – from each member of the bargaining unit;

- Eliminated travel time;

- Reduced the PBA minimum manning requirement by 417 tours per precinct (104 posts per precinct in the day, 313 per precinct in the evening);

- Reduced the hourly rate of pay used to calculate holiday pay, overtime, and shift differential by 6.5%;

- Reduced the per-diem rate of pay used to calculate termination pay by 6.5%;
- Modified the longevity pay system to mirror that of the Suffolk County PBA;
- Created a non-pensionable education bonus for PBA members with a 4-year college degree;
- Established a single shift differential rate of 12%;
- Lowered starting pay and paid holidays for new hires; and
- Granted the County the opportunity to civilianize up to 100 positions currently held by PBA members.

The wage package is as follows:

Effective Date	Wage Increase
1/01/01	0.0 %
1/01/02	3.9 %
1/01/03	3.9 %
1/01/04	3.9 %
7/01/05	3.9%
7/01/06	3.9 %

Detectives Association, Inc. (DAI)

On September 14, 2004, the panel for the DAI interest arbitration issued its award, covering the six-year period from January 1, 2001 through December 31, 2006.

The contract established by the award contained the following key provisions:

- Contained an 18-month wage freeze, including no retroactive wage increase for 2001 and a six-month wage freeze in 2005 (19.5% total wage increase over 6 years);
- Reduced paid shift differential by 3.5 hours, such that "night shift" premiums no longer begin before noon;
- Eliminated Flag Day as a paid holiday,
- Added 48 hours of work per year – paid at straight time – from each member of the bargaining unit;
- Eliminated travel time;
- Reduced the hourly rate of pay used to calculate holiday pay, overtime, and shift differential by 6.5%;
- Reduced the per-diem rate of pay used to calculate termination pay by 6.5%;
- Modified the longevity pay system to mirror that of Suffolk County;

- Created a non-pensionable education bonus for DAI members with a 4-year college degree; and

- Established a single shift differential rate of 12%.

The wage package is as follows:

Effective Date	Wage Increase
1/01/01	0.0 %
1/01/02	3.9 %
1/01/03	3.9 %
1/01/04	3.9 %
7/01/05	3.9 %
7/01/06	3.9 %

Superior Officers Association (SOA)

On January 24, 2005, the panel for the SOA interest arbitration issued its award, covering the six-year period from January 1, 2002 through December 31, 2007.

The contract established by the award contained the following key provisions:

- Contained an 18-month wage freeze, including no retroactive wage increase for 2002 and a six-month wage freeze in 2006 (19.5% total wage increase over 6 years);

- Reduced paid shift differential by 3.5 hours, such that "night shift" premiums no longer begin before noon;

- Eliminated Flag Day as a paid holiday,

- Added 48 hours of work per year – paid at straight time – from each member of the bargaining unit effective January 1, 2006;

- Eliminated travel time;

- Reduced the hourly rate of pay used to calculate holiday pay, overtime, and shift differential by 6.5%;

- Reduced the per-diem rate of pay used to calculate termination pay by 6.5%;

- Modified the longevity pay system to mirror that of Suffolk County;

- Created a non-pensionable education bonus for SOA members with a 4-year college degree; and

- Established a single shift differential rate of 12%.

The wage package is as follows:

Effective Date	Wage Increase
1/01/02	0.0 %
1/01/03	3.9 %
1/01/04	3.9 %
1/01/05	3.9 %
7/01/06	3.9 %
7/01/07	3.9 %

Sheriff Officers Association (ShOA)

The only County unionized employees currently working without a contract are members of the Sheriff Officers Association ("ShOA"). These include the correction officers and supervisors who maintain security in the Nassau County Correctional Center. In 2005, the County Executive and ShOA reached an agreement that was rejected by the County Legislature. Negotiations between the bargaining unit and the County are ongoing.

The prior ShOA contract covered the term from January 1, 1998 through December 31, 2004. Key provisions of this contract included:

- Required that the first 16 hours of overtime worked each year to be paid as compensatory time;
- Mandated that all new hires work an additional five days for extra training during their first three years of service;
- Shifted the effective date of step increases from January 1st of each year to each employee's anniversary date of initial employment;
- Authorized the County to civilianize up to 55 positions currently held by ShOA members;
- Eliminated Flag Day as a paid holiday; and
- Established a new sick leave management program.

The wage package was as follows:

Effective Date	Wage Increase
7/01/98	2.0%
7/01/99	3.0%
7/01/00	3.0%
7/01/01	3.5%
7/01/02	3.0%
1/01/03	8.9%
7/01/03	1.0%
1/01/04	2.0%

Nassau Community College Employees

Not considered employees in the Major Operating Funds, members of the Nassau Community College Federation of Teachers ("NCCFT") and the Adjunct Faculty Association ("AFA") total 723 full-time faculty and 1,701 part-time faculty, respectively. The contract for the NCCFT expires on August 31, 2008. The contract for the AFA expires on September 30, 2010.

The wage package of the NCCFT is:

Effective Date	Wage Increase
9/01/05	1.92%
9/01/06	2.35%
9/01/07	2.18%

The wage package for the AFA is:

Effective Date	Wage Increase
11/01/05	3.9%
9/01/06	3.9%
9/01/07	3.9%
9/01/08	3.9%
9/01/09	3.9%

APPENDIX G
COUNTY MANAGEMENT ORGANIZATION CHART

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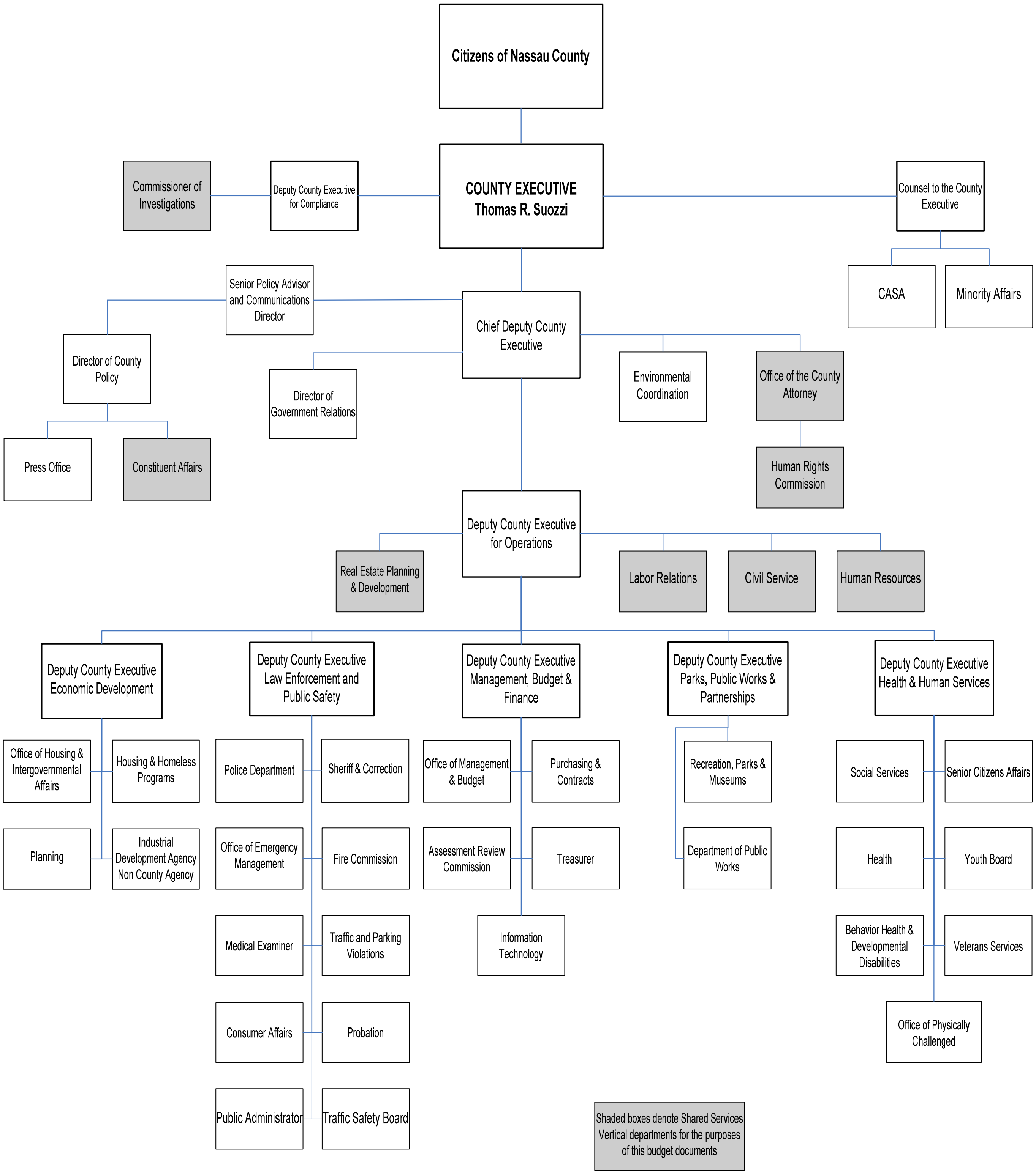
COUNTY ORGANIZATION CHART



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APPENDIX H

ECONOMIC AND DEMOGRAPHIC PROFILE

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Overview

Established in 1899, Nassau County (the "County") is the site of some of New York State's (the "State") earliest colonial settlements, some of which date to the 1640's. With a total land area of 287 square miles and a population of over 1.3 million, the County is bordered to the west by the New York City borough of Queens, to the east by Suffolk County, to the north by Long Island Sound and to the south by the Atlantic Ocean. Together, the northern and southern boundaries of the County comprise nearly 188 miles of scenic coastline. The County includes 3 towns, 2 cities, 64 incorporated villages, 56 school districts and various special districts that provide fire protection, water supply and other services. Land uses within the County are predominantly single-family residential, commercial and industrial.

Population

The County's population has experienced two major growth periods over the past 100 years and reached a peak of approximately 1,428,080 residents in 1970. By 1990, the County's population had decreased by 10% to 1,287,348 residents. In 2000, the County population had increased by 3.6% to approximately 1,334,544 residents. Based upon U.S. Census Bureau data, residents over 75 years of age are the fastest growing segment of the population, increasing by 125% from 42,100 in 1970 to 94,880 in 2000. Table 1 below shows the County's population from 1970 to 2005. Based upon information from the Long Island Power Authority Population Survey, the County's population continued to increase slightly through 2005 to an estimated 1,348,357.

TABLE 1

COUNTY POPULATION, 1970-2005

Year	Population
2005	1,348,357
2000	1,334,544
1990	1,287,348
1980	1,321,582
1970	1,428,080

SOURCES: U.S. Census, 1970-2000; Long Island Power Authority Population Survey, 2005

Economic Indicators

As shown on Table 2 below, according to the U.S. Census Bureau the County's household median income for 2005 of $80,293 is significantly higher than those of the State ($49,480) and the United States as a whole ($46,242). Moreover, the County (4.0%) has a smaller percentage of families below the poverty level than the State (11.1%) and the nation (10.2%).

TABLE 2

**COUNTY ECONOMIC INDICATORS
IN COMPARISON TO THE STATE AND THE U.S.**

Area	Median Household Income	Families Below Poverty (%)
County	$80,293	4.0
State	49,480	11.1
United States	46,242	10.2

SOURCE: U.S. Census, 2005 American Community Survey

Income and Purchasing Power

Effective Buying Income

According to the 2005 Survey of Buying Power and Media Markets published by *Sales & Marketing Management*, the County had the highest total effective buying income ("EBI") of any county in the State and ranks second only to Putnam County for percentage of households with an EBI above $50,000. Table 3 below compares EBI data by group in the County with Suffolk County, New York City and the State. Slightly more than 60% of County households have an EBI of $50,000 or more, while less than 13% have an EBI of less than $35,000. EBI is defined as income less personal tax and non-tax payments and is often referred to as "disposable" or "after-tax" income.

TABLE 3

COMPARISON OF EFFECTIVE BUYING INCOME IN THE STATE

Area	Total EBI	Median Household EBI Income	% of Households by EBI Group $20K-34.9K	$35-49.9K	$50K+
Nassau County	$ 36,223,193	$59,324	12.8	15.7	60.3
Suffolk County	33,158,123	54,805	14.5	17.9	55.8
New York City	154,497,066	34,965	20.6	17.1	32.9
New York State	382,732,849	38,462	20.7	18.2	37.1

SOURCE: Sales & Marketing Management, 2005 Survey of Buying Power and Media Markets

Consumer Price Index

The Consumer Price Index ("CPI") represents changes in prices of all goods and services purchased for consumption by households over time and is often used to gauge levels of inflation. CPI includes user fees such as water and sewer service and sales and excise taxes paid by the consumer, but does not include income taxes and investment items such as stocks, bonds, and life insurance. Annual totals and increases in the CPI for both the New York-Northern New Jersey-Long Island, NY-NJ-CT-PA Consolidated Metropolitan Statistical Area ("CMSA") and U.S. cities between the years 1996 and 2005 are shown in Table 4 below.[1]

As indicated in Table 4 below, prices in the CMSA rose by 3.6% over 2004, marking the largest yearly percentage increase in the last ten years and the fourth consecutive year in which the CPI percentage for the region increased. By comparison, prices increased by 3.4% in U.S. cities in 2005, which marks the third consecutive year that the national CPI percentage has increased.

TABLE 4

CONSUMER PRICE INDEX, 1996-2005

Year	U.S. City Average (1,000s)	Percentage Change	NY-NJ-CT-PA CMSA (1,000s)	Percentage Change
2005	195.3	3.4%	212.7	3.9%
2004	188.9	2.7%	204.8	3.5%
2003	184	2.3%	197.8	3.1%
2002	179.9	1.6%	191.9	2.6%
2001	177.1	2.8%	187.1	2.5%
2000	172.2	3.4%	182.5	3.1%
1999	166.6	2.2%	177.0	2.0%
1998	163	1.6%	173.6	1.6%
1997	160.5	2.3%	170.8	2.3%
1996	156.9	3.0%	166.9	2.9%

SOURCE: U.S. Department of Labor, Bureau of Labor Statistics

Retail Sales and Business Activity

The County is served by six major regional shopping centers: Broadway Mall in Hicksville, Roosevelt Field in Garden City, Green Acres Mall in Valley Stream, Americana Manhasset in Manhasset, Sunrise Mall in Massapequa and the Simon Mall at the Source in Westbury. According to the

(1) Throughout this document references are made to the U.S. Office of Management and Budget's definitions of metropolitan areas that are applied to U.S. Census Bureau data. These areas include Metropolitan Statistical Areas ("MSAs"), Consolidated Metropolitan Statistical Areas ("CMSAs") and Primary Metropolitan Statistical Areas ("PMSAs"). An MSA is a county or group of contiguous counties that contains at least one city with a population of 50,000 or more people, or a Census Bureau-defined urbanized area of at least 50,000 with a metropolitan population of at least 100,000. An MSA with a population of one million or more and which meets various internal economic and social requirements is termed a CMSA, consisting of two or more major components, each of which is recognized as a PMSA. For example, the Nassau-Suffolk PMSA is part of the New York-Northern New-Jersey – Long Island, NY-NJ-CT-PA CMSA.

International Council of Shopping Centers, a global trade association of the shopping center industry, these regional malls feature a total of 6,889,934 square feet of gross leaseable area.

The County boasts a wide range of nationally recognized retailers that provide goods and services, including home furnishing stores, supermarkets and gourmet food markets, electronics and bookstores. Major retailers in the County include Saks Fifth Avenue, Bloomingdales, Lord & Taylor, Nordstrom's, Macy's, Fortunoff's, Sears, JC Penney, Marshalls, Old Navy, Kohl's and Target. Commercial outlet stores in the County include, but are not limited to Costco, Bed, Bath & Beyond and Best Buy. In addition, there are in the County designer boutique shops and specialty department stores such as Barneys, Brooks Brothers, Giorgio Armani, Ralph Lauren and Prada, and jewelers such as Tiffany & Co., Cartier and Van Cleef & Arpels.

Many of the County's downtowns enjoy vibrant economic activity. Downtowns such as Franklin Avenue in Garden City and Fulton Avenue in the Village of Hempstead provide goods and services from local merchants and regional stores to area residents.

Based on the 2002 Economic Census, the County ranked second in the State to New York City in retail sales activity (see Table 5).

TABLE 5

RETAIL SALES ACTIVITY RANKED BY COUNTY IN THE STATE
(in thousands)

	2002 Rank	2002 Retail Sales	1997 Rank	1997 Retail Sales
New York (Manhattan)	1	$26,431,688	1	$19,964,095
Nassau	**2**	**20,048,923**	**2**	**16,876,869**
Suffolk	3	18,884,440	3	13,879,345
Westchester	4	12,055,687	4	9,438,521
Queens	5	11,733,654	5	9,237,429
Kings	6	11,397,935	6	8,407,009
Erie	7	10,053,437	7	8,224,419
Monroe	8	7,612,733	8	6,681,881
Onondaga	9	5,451,227	9	4,485,858
Albany	10	4,581,206	10	3,634,657

SOURCE: U.S. Census, Retail Trade

Employment

According to the State Department of Labor, the County had a workforce of approximately 694,600 employees in 2005, The current unemployment rate in the County of 4.1% shows a moderate decrease from the 4.5% recorded in 2004. Table 6 compares employment totals and unemployment rates for the County with adjoining municipalities, the State and the United States. 2005 marked the tenth consecutive year in which the County's unemployment rate was less than Suffolk County (4.2%), New York City (7.0%), the State (5.0%) and the United States (5.1%).

TABLE 6

ANNUAL AVERAGE
EMPLOYMENT (in thousands)
AND UNEMPLOYMENT RATE (%), 1996 - 2005

Year	Nassau County		Suffolk County		New York City		New York State		United States	
	Employ-ment	Unemployment-Rate	Employ-ment	Unemploy-ment Rate	Employ-ment	Unemploy-ment Rate	Employ-ment	Unemploy-ment Rate	Employ-ment	Unemploy-ment Rate
2005	666.2	4.1	746.7	4.2	3,519	7.0	8,944	5.0	141,730	5.1
2004	687.3	4.5	767.5	4.7	3,720	7.1	9,355	5.8	139,252	5.5
2003	718.5	3.9	733.2	4.4	3,715	8.3	9,300	6.4	137,736	6.0
2002	683.3	4.1	724.8	4.4	3,731	8.0	9,311	6.2	136,485	5.8
2001	674.1	3.1	711.9	3.5	3,666	6.0	9,178	4.9	136,933	4.7
2000	677.7	2.7	707.0	3.2	3,664	5.8	9,180	4.5	136891	4.0
1999	699.2	3.0	704.4	3.6	3,621	6.9	9,134	5.2	133,488	4.2
1998	696.4	2.9	697.7	3.5	3,568	7.9	9,059	5.7	131,463	4.5
1997	693.4	3.5	686.7	4.3	3,524	9.4	8,998	6.5	129,558	4.9
1996	679.3	3.8	667.2	4.6	3,385	8.8	8,781	6.3	126,708	5.4

SOURCES: Compiled by the County from: New York State Department of Labor; U.S. Department of Labor, Bureau of Labor Statistics

Key Employment Trends

As indicated in Table 7, the annual average employment in non-farm jobs by industry for the years 1998 through 2005 in the Nassau-Suffolk PMSA[3] remains strong. Industries that achieved their highest level of employment in eight years include: education and health services, professional and business services and other services. Eighty-seven percent of jobs within the PMSA are in service producing industries. Within the goods producing category, manufacturing jobs have remained virtually constant over the past year and decreased by a total of 15.7% since 1998**.** Meanwhile, jobs within the natural resources, construction and mining industries have increased by 29% since 1998.

Most industries within the service producing sectors experienced moderate increases over the year with the largest gains made in the education and health services (1.4%) and the professional and business services categories (2.7%). Moreover, since 1998 the education and health services sector has achieved a 17.1% increase in jobs while during the same period the professional and business services sector increased by 12.4%.

[3] Prior to 2004, statistical information compiled by the U.S. Census Bureau, the U.S. Department of labor and other sources was compiled on the basis of MSAs, including the Nassau-Suffolk PMSA. Beginning in 2004, the U.S. Office of Management and Budget revised its geographic Census definitions and replaced MSAs with Core Based Statistical Areas ("CBSAs"). The County is now part of the New York-Newark-Edison, NY-NJ-PA CBSA.

TABLE 7

ANNUAL AVERAGE
NASSAU-SUFFOLK EMPLOYMENT,
NON-FARM, BY BUSINESS SECTOR,
1998-2005
(in thousands)

Nassau-Suffolk Employment by Industry	**1998**	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**
				Goods Producing				
Natural Resources Construction & Mining	51.4	57.5	61.0	62.4	64.3	64.2	65.6	66.4
Manufacturing	103.6	105.7	105.5	98.9	92.1	88.2	88.1	87.3
Total Employment Goods-Producing	155.0	163.2	166.5	161.2	156.4	152.5	153.6	153.7
				SERVICE PRODUCING				
Trade, Transportation & Utilities	264.0	267.1	273.1	271.9	267.5	270.3	271.9	271.2
Financial Activities	81.0	85.5	84.2	81.4	82.0	82.0	83.5	81.9
Information	30.0	30.7	31.8	32.9	32.5	32.9	28.9	29.4
Educational and Health Services	170.3	175.6	178.5	180.9	187.5	193.2	196.8	199.5
Leisure & Hospitality	79.2	82.8	86.0	88.8	90.1	92.8	96.1	95.7
Other Services	46.0	50.8	52.1	49.7	50.1	50.8	51.1	52.1
Professional & Business Services	140.9	148.7	155.6	157.7	153.1	152.0	154.2	158.4
Government	182.1	185.7	190.2	194.1	196.3	198.9	197.6	198.5
Total Service Producing	993.4	1,027.0	1,051.5	1,057.4	1,059.1	1,070.2	1,080.0	1086.9
Total Non-Farm	1,148.4	1,190.2	1,218.0	1,218.6	1,215.5	1,222.2	1233.5	1240.6

SOURCE: New York State Department of Labor
Note: Totals may not add due to rounding.

The percentage of jobs within each category remains fairly consistent with national figures. Table 8 compares the employment sectors in the Nassau-Suffolk PMSA to the national employment rates by industry. Nationwide, 16% of jobs were in the goods producing sector compared to 12% in the Nassau-Suffolk PMSA.

TABLE 8

PERCENTAGE OF NON-FARM EMPLOYMENT BY BUSINESS SECTOR, 2005

Business Sector	Nassau-Suffolk PMSA (%)	United States (%)
Goods Producing		
Natural Resources*, Construction & Mining	5	6
Manufacturing	7	11
Total Production of Goods	12	16
Service Providing* or Service Producing**		
Trade, Transportation & Utilities	22	20
Financial Activities* or Finance, Insurance & Real Estate**	7	6
Assorted Services	44	41
Government	16	16
Total Production of Services	88	84

SOURCES: Compiled by the County from: New York State Department of Labor (Nassau-Suffolk PMSA) and the U.S. Department of Labor, Bureau of Labor Statistics (United States).
*Nassau-Suffolk PMSA
**United States

Major County Employers and Key Employer Trends

Consistent with recent job growth in the educational and health services and leisure and hospitality industries, the County's largest employer, with a work force of approximately 32,000, is the North Shore-Long Island Jewish Health System based in Great Neck (see Table 9 below for the County's major commercial and industrial employers).

TABLE 9

MAJOR COUNTY COMMERCIAL AND INDUSTRIAL EMPLOYERS

Employer	**Type**	***Approx. no. Employees****
North Shore-Long Island Jewish Health System	Health Care	32,000*
Cablevision Systems	Entertainment/ Telecommunications	20,000
Stony Brook University	Institutional	13,500
Waldbaum's (A&P Stores)	Food Retailing	10,000
Winthrop – South Nassau University Health System	Health Care	5,700*
Verizon Communications	Communications	5,600
Home Depot	Home Improvement	5,500
Pathmark Stores	Food Retailing	5,000
King Kullen Grocery	Food Retailing	4,800

SOURCES: Compiled by the County from: Long Island Business News "2006 Book of Lists",

Long Island Business Association.

*Company headquarters are located in the County, number may include employees who work outside of the County.

Construction Activity

Table 10 below is a composite list of construction activity in the County for residential, business, industrial and public building construction from the years 1996 through 2005. Overall building activity has been uneven since 1997, reaching its high point in 2000 with 1887 permits issued. By 2003 the number of permits issued had decreased to 800. In 2005, the County's construction activity rebounded as evidenced by the 1,710 permits issued that year, the second strongest year of the previous ten.

TABLE 10

COUNTY CONSTRUCTION ACTIVITY, 1996-2005

Year	Single-Family Dwellings	Other Housing Units*	Business Buildings	Industrial Buildings	Public Buildings	Total Buildings
2005	921	748	37	1	3	1,710
2004	771	577	23	4	8	1,383
2003	564	203	23	2	8	800
2002	603	482	24	2	5	1,116
2001	614	884	30	21	16	1,565
2000	790	1,009	58	21	9	1,887
1999	639	540	34	8	16	1,237
1998	746	563	42	5	13	1,369
1997	860	862	56	14	7	1,799
1996	518	498	36	7	4	1,063
Totals	7,026	6,366	363	85	89	13,929

SOURCE: Nassau County Planning Commission

*Other housing units include two-family, multi-family dwellings and conversions.

Table 11 below lists the number and estimated dollar value of building permits issued for Class 4 property in the County for the years 2002 through 2005. Class 4 property includes commercial, industrial, institutional buildings and vacant land. As indicated in the table, there were 10 more building permits issued for these categories in 2005 than in 2002, an increase of 31%. Over the same period, the County saw a 47.3% increase in estimated value on such permits.

TABLE 11

NUMBER AND VALUE OF BUILDING PERMITS IN THE COUNTY, CLASS 4 PROPERTY, 2002 – 2005

Year	Number of Permits Received	Estimated Dollar Value on Permits
2005	42	29,535,410
2004	15	7,339,475
2003	33	25,043,100
2002	32	20,052,498

SOURCE: Nassau County Planning Commission.

According to the CoStar Office Report (Mid-Year 2006) provided by Greiner-Maltz Company, in 2005 the County had 1,454 office buildings containing a total of approximately 43.7 million square feet. The vacancy rate rose from 9.2% at the end of 2004 to 10.0% during 2005. There were 88 Class A buildings and 468 Class B buildings in the County. Class A buildings showed a 9.7% vacancy rate while

10.4% of the Class B building space was vacant. While no new construction was completed during 2005, 313,657 square feet of office space was under construction in December 2005.

Housing

In 2005 new residential construction activity in the County increased by 22% (258 units) from 1,177 to 1,435 (see Table 12). This contributed to a 27% increase in the value of new residential construction over the same period. Moreover, in 2005 the County issued more building permits than in any of the previous four years. Table 13 shows the breakdown of new housing units by housing type and size. In 2005 the County showed a 62% increase in the construction of single-family dwellings.

TABLE 12

COUNTY NEW RESIDENTIAL CONSTRUCTION ACTIVITY, 1996 - 2005
(in thousands)

Year	Value of New Residential Construction	No. of New Dwelling Units By Building Permit
2005	$373,879	1,435
2004	293,642	1,177
2003	195,435	978
2002	222,722	985
2001	229,464	989
2000	266,259	1,506
1999	199,433	1,151
1998	189,668	1,021
1997	188,345	1,372
1996	156,547	976

SOURCES: U.S. Census Bureau, Construction Statistics Division-Building Permit Branch.

TABLE 13

NUMBER OF COUNTY NEW RESIDENTIAL HOUSING UNITS AUTHORIZED BY BUILDING PERMIT BY SIZE CATEGORY, 1996 - 2005

Year	1 Family	2 Family	3-4 Family	5 or more Family	Total
2005	1,197	44	7	187	1,435
2004	735	68	0	374	1,177
2003	635	44	8	291	978
2002	740	30	3	212	985
2001	688	32	4	265	989
2000	753	142	6	605	1,506
1999	730	50	3	368	1,151
1998	770	34	4	213	1,021
1997	925	42	34	371	1,372
1996	623	52	0	301	976

SOURCES: U.S. Census Bureau, Construction Statistics Division-Building Permit Branch.

According to the 2000 U.S. Census, the number of housing units in the County increased by 3%, from 446,292 in 1990 to 458,151 in 2000. The County (80%) had a higher percentage of owner-occupied units than the State (66%) and the nation (53%) as a whole.

Housing prices and sales have been one of the County's strongest economic indicators over the last several years (see Table 14). Median home prices in the County have increased by almost 88% from 2000 to 2005 and by 8% from 2004 to 2005. Additionally, in 2005, the County reached a high for annual median sales price ($475,000). This, plus the number of homes sold (a 58% increase from the prior year), contributed to a 71% increase in total annual sales from 2004 to 2005. According to the Multiple Listing Service of Long Island, the median value of owner-occupied homes in the County ($475,000) was much higher than that of the nation ($165,300).

TABLE 14

COUNTY HOME SALES, 1996-2005

Year	Median Sales Price	Annual Sales ($000)	No. of Homes Sold
2005	$475,000	$7,639,875	16,065
2004	440,000	$4,448,840	10,111
2003	395,000	3,414,170	8,646
2002	350,000	3,722,598	8,654
2001	290,000	2,422,686	7,545
2000	252,500	1,994,682	7,002
1999	230,000	1,916,307	7,389
1998	204,500	1,892,255	8,199
1997	180,000	1,641,168	7,835
1996	175,000	1,485,489	7,319

SOURCES: Compiled by the County from: The October 2001 LIPA Annual Business Fact Book, 1996-2000; Multiple Listing Service of Long Island Inc., 2001-2005; New York State Association of Realtors.

Transportation

MTA Long Island Bus ("MTALIB"), a subsidiary of the Metropolitan Transportation Authority, is the County's principal public surface transit provider and the third largest suburban bus system in the United States. Operating a network 54 routes, the MTALIB provides transit service for most of the County as well as parts of eastern Queens and western Suffolk County. The density of MTALIB's route network conforms to the development pattern of the County. MTALIB operates approximately 333 fixed route buses and 85 para-transit vehicles, including service across the Queens-Nassau line to subway and bus stations in Flushing, Far Rockaway and Jamaica. MTALIB has an average ridership of 108,000 passengers each weekday and serves 96 communities, 46 Long Island Rail Road ("LIRR") stations, most area colleges and universities, as well as employment centers and shopping malls.

The mid-year forecast as of July 2006 shows that the total MTALIB estimated budget for 2006 was $119.6 million, of which $48.2 million or 40%, was derived from passenger fares and other operating revenue. The estimated cost to the County and the State of operating MTALIB for 2006 was approximately $69.9 million. The County's share of the cost was approximately $10.5 million; State subsidies and additional State aid accounted for approximately $44.9 million; and, MTA subsidies accounted for the remaining $14.5 million.

The Long Island Rail Road (the "LIRR") is the largest and busiest commuter railroad in the United States, carrying 80.2 million passengers in 2005. The LIRR provides train service for the entire County. Its infrastructure includes 381 route miles of track, 296 at-grade-crossings and 124 stations on 11 branch lines. On an average weekday, the LIRR carries 282,410 passengers. Over 60% of the LIRR's passenger trips originate in the County. On weekdays, about 70% of the system's passenger trips occur during morning and evening peak travel periods. These branches provide service through the County to eastern destinations in Suffolk County and western destinations of Penn Station in Manhattan, Flatbush Avenue in Brooklyn, as well as Jamaica and Hunters Point/Long Island City in Queens.

Through its capital program, the LIRR is restoring two critical LIRR stations, Atlantic Terminal (Brooklyn) and Jamaica Station (Queens), the transfer point for the new Air Train to John F. Kennedy International Airport ("JFK"). Other important projects are the continual maintenance of replacing tracks, ties, and switches and renovations underway at numerous stations. The LIRR also is expected to install a fiber-optic communications system for greater safety and is consolidating antiquated control towers into one modern center at Jamaica Station. Traditionally serving a Manhattan-bound market, the LIRR has undertaken extensive efforts to augment its reverse-commute and off-peak service to meet the needs of businesses in Nassau and Suffolk counties.

The LIRR is replacing older electric cars with state-of-the-art M-7 rail cars and has modernized its entire diesel fleet, with 23 new locomotives, 134 bi-level coaches, and 23 "dual-mode" locomotives that operate in both diesel and electrified territory, enabling many customers to travel between Long Island and Manhattan without changing trains. In the County, the LIRR is completely electrified, except for the Oyster Bay Branch north and east of East Williston.

The County highway system consists of over 4,000 miles of paved roads that include parkways, highways, major arteries, collector streets and local streets, which are operated and maintained by different levels of government. The eight major east-west roadways that provide direct through service to New York City and Suffolk County include: Northern Boulevard, Long Island Expressway, Northern State Parkway, Jericho Turnpike, Hempstead Turnpike, Southern State Parkway, Sunrise Highway, and Merrick Road.

The County is located within close proximity to JFK and LaGuardia Airport ("LaGuardia"), both located in Queens County, and to Islip Long Island MacArthur Airport ("Islip MacArthur"), located in Suffolk County. JFK and LaGuardia are easily accessible to County residents by all major east-west roadways as well as airport shuttle service. The Air Train service, a light rail system connecting Jamaica Station in Queens to JFK, opened in early 2004. Islip MacArthur is accessible by the Long Island Expressway and Sunrise Highway, as well as the LIRR.

To help eliminate delays, congestion, and trouble spots on the highway network, the County receives federal and state funding through the federal Transportation Improvement Program ("TIP"), and is a voting member of the Nassau-Suffolk Transportation Coordinating Committee. The TIP is a compilation of transportation improvement projects such as preserving and upgrading bridges, highways and making system-wide capacity and safety improvements scheduled to take place during a five-year period. The present TIP covers the years 2006-2010 and a 2008-2012 update is underway.

Utility Services

Electrical service is provided to the County by the Long Island Power Authority ("LIPA"), which became Long Island's non-profit electric utility in 1998. LIPA's electric system, which serves 1.1 million customers, is operated by KeySpan, (the parent company of KeySpan Energy Delivery), the largest investor-owned electric generator in the State. KeySpan, which is the largest distributor of natural gas in the northeast United States, also provides gas distribution in the County. The incorporated villages of Freeport and Rockville Centre operate their own electrical generation plants.

LIPA is funded through legislation that requires the utility to make payments in lieu of taxes ("PILOTS") to municipalities and school districts commensurate with property taxes that would have been received by each jurisdiction from the Long Island Lighting Company ("LILCO"), the County's former provider of electrical service. LIPA is also required to make PILOTS for certain State and local taxes which would otherwise have been imposed on LILCO. Numerous private companies in the County provide telephone service.

Health and Hospital Facilities

Rated among the best health and hospital facilities in the country, the County provides 4,669 certified hospital beds in 13 hospitals and according to the New York State Board of Professions, is served by 8,170 licensed medical doctors, 2,029 dentists, 670 chiropractors, 333 podiatrists and 19,265 registered nurses. The North Shore-Long Island Jewish Health System is County's largest employer (approximately 32,000 employees), is the third largest non-profit, secular health care system in the nation and is part of the largest integrated healthcare network (Modern Healthcare) in the Northeast United States. The North Shore University Hospital is the recipient of the Joint Commission on Accreditation of Healthcare Organizations (JCAHO) Codman Award, the first health system to attain this distinction.

Other hospitals of note in the County include the Nassau University Medical Center in East Meadow, St. Francis Hospital in Roslyn, the Winthrop-University Hospital in Mineola, and the Memorial-Sloan Kettering Cancer Center at Mercy Medical Center in Rockville Centre.

Media

The daily newspaper *Newsday* is circulated in the County and Suffolk and Queens counties. Approximately 80 weekly newspapers cover news and events in the County. Some of these focus on events in specific towns, villages and communities, and other focus on niche industries, such as Long Island Business News – a 50-year-old tabloid that covers both Nassau and Suffolk Counties.

The County is home to two broadcast television stations, Channels 21 and 57, and receives nine additional VHF and UHF stations. In addition, News 12 provides local news coverage (on cable only). Cable programming is available throughout the County via Cablevision Systems Corp., and provides access to channels with a local focus. Satellite programming is also available in the County.

Because of its proximity to New York City, events in the County attract regular coverage in New York City newspapers such as the *New York Times*, the *Daily News*, and the *New York Post*. Radio coverage includes nine County-based stations and 52 regional and neighboring stations that consider the County as part of their listening area.

Educational Facilities

There are 56 school districts in the County, with a total enrollment of 209,112 students according to the State Education Department. Individual school boards and the Board of Cooperative Educational Services (BOCES) are the primary managers of these school districts and provide services such as career training for high-school students and adults, special education, alternative schools, technology education and teacher training. Various public and private organizations manage the County's other educational facilities. The County's non-public schools, which are located in a number of municipalities, provide education in the State Regents program as well as in special and technical programs.

Many County public schools have received national recognition. A 2005 Newsweek magazine article cited 7 County high schools among the top 100 public high schools in the nation.

Over 138,000 students attend County colleges and universities, some of which are highly specialized and have garnered nationwide attention for their programs. These institutions include: Long Island University/C.W. Post College, Adelphi University, Hofstra University, New York Institute of Technology, U.S. Merchant Marine Academy, Nassau Community College, Webb Institute, Molloy College and the State University of New York/Old Westbury.

Colleges and universities in the County promote cross-disciplinary research, technology development and an integrated curriculum to prepare students for the growing bioscience industry. Undergraduate and graduate level programs available throughout the County's institutions of higher learning specialize in fields such as biology, chemistry, biochemistry, engineering, and physical sciences in courses such as bioengineering, biotechnology and pharmacology.

Recreational and Cultural Facilities

The County has numerous recreational and cultural facilities. One of the most popular destinations among the County's parks and beaches is the 2,413-acre Jones Beach State Park in Wantagh. With approximately six to seven million visitors annually, Jones Beach State Park features a six-mile ocean beachfront, a two-mile boardwalk and the 11,200-seat, Jones Beach Theater performing arts center, which attracts world-class musical acts. There are dozens of other public beaches located along both the Atlantic Ocean and the Long Island Sound shoreline. In addition, the County is home to the 930-acre Eisenhower Park in the Town of Hempstead, Bethpage State Park in Farmingdale and numerous small local parks and campgrounds which offer a broad spectrum of recreational opportunities.

On a national level, the County is home to many high profile professional sporting events and teams. The Bethpage Golf Course, located in Bethpage State Park, hosted the 2002 U.S. Open and is scheduled to host the 2009 U.S. Open. Belmont Racetrack, located in Elmont, is home to the Belmont Stakes, the third race in horse racing's prestigious Triple Crown. The Nassau Veterans Memorial Coliseum in Uniondale is home to the four-time Stanley Cup Champion New York Islanders of the National Hockey League and the Arena Football League's New York Dragons. Eisenhower Park's 80,000 square foot Swimming and Diving Center is the largest pool in the Northern Hemisphere.

In terms of cultural and historic resources, the County boasts eleven museums, including the County-owned Cradle of Aviation Museum and the Long Island Children's Museum in Garden City, as well as historic sites such as Old Bethpage Village and Theodore Roosevelt's estate at Sagamore Hill in Cove Neck.

In an effort to preserve open space, natural and scenic resources for additional recreational opportunities, in 2003 the County created the Open Space Fund, which receives 5% of the proceeds from County land sales for open space land acquisition purposes.

Water Service and Sanitary Sewer Facilities

There are 47 water districts in the County providing water service to over 90% of the County's residents. Approximately 3,550 residents of the less densely populated northern sections of the County draw their water from private wells.

The natural geology of the County yields four aquifers located between subsurface rock strata. These aquifers serve the County with fresh water and are continuously being recharged by precipitation.

In a study performed by the Long Island Regional Planning Board on Long Island's population, the projected population of Long Island for the year 2010 is predicted to remain at the present level of 1.3 million. Based on studies of projected residential, commercial and industrial daily water use, the demand of water from Long Island's groundwater supply will be 180 million gallons per day. Recharge of the groundwater system has increased from 332 million gallons per day to 341 million gallons per day as a result of the County's storm water recharge basins capturing storm water for aquifer recharge. This leaves a daily recharge surplus of 153 million gallons. This recharge surplus ensures ample amounts of fresh water for the future.

The Division of Sanitation and Water Supply within the County Department of Public Works maintains and operates the County's sewerage and water resources facilities. In 2003, upon the approval of the County Legislature, state legislation created a single, County-wide sewer and storm water resources district, replacing the County's prior three sewage disposal districts and 27 sewage collection districts.

Most sewage in the County's sewer system is treated at the Inwood Pump Station, the Bay Park Sewage Treatment Plant (Bay Park) in East Rockaway or the Cedar Creek Water Pollution Control Plant (Cedar Creek) located in Wantagh. Sewage collected within the area corresponding to the former County sewage collection district of Lido Beach is processed at the City of Long Beach's sewage treatment plant.

Six villages in the County (Freeport, Garden City, Hempstead, Mineola, Rockville Centre and Roslyn) own and operate their own sewage collection systems which discharge sewage to the County's disposal system. The sewage collected by these systems is processed at one of the County-operated sewage treatment plants, either Bay Park or Cedar Creek. In addition, there are several sewage collection systems and treatment plants within the County that are operated by other governmental agencies or special districts.

APPENDIX I

NOTICE OF SALE

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NASSAU COUNTY, NEW YORK

NOTICE OF SALE

$150,000,000*
TAX ANTICIPATION NOTES, SERIES 2006

Consisting of

$100,000,000* Tax Anticipation Notes, 2006 Series A – Due September 30, 2007
$50,000,000* Tax Anticipation Notes, 2006 Series B – Due October 31, 2007

Nassau County, New York (the "County") is accepting electronic bids for the $150,000,000* aggregate principal amount of Tax Anticipation Notes, 2006, dated December 8, 2006 and consisting of $100,000,000* Tax Anticipation Notes, 2006 Series A maturing on September 30, 2007 (the "Series A Notes") and $50,000,000* Tax Anticipation Notes, 2006 Series B maturing on October 31, 2007 (the "Series B Notes" and, with the Series A Notes, collectively, the "Notes"). Electronic bids via the PFMAuction website ("PFMAuction") will be received until 11:00 A.M. prevailing Eastern time for the Series A Notes and 11:05 A.M. for the Series B Notes, on Thursday, November 30, 2006 (unless postponed as described herein).

This Notice of Sale contains certain information for quick reference only, is not a summary of the issue and governs only the terms of the sale of, bidding for and closing procedures which respect to the Notes. Bidders must read the entire Preliminary Official Statement to obtain information essential to the making of an informed decision to bid.

Terms of the Notes

The Notes shall be dated December 8, 2006. Principal and interest on the Series A Notes shall be payable at maturity on September 30, 2007. Principal and interest on the Series B Notes shall be payable at maturity on October 31, 2007. Interest on the Notes will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Notes are to be issued without option of prior redemption.

The Notes are being issued for the purpose of providing monies to meet a cash flow deficit expected to occur during the period the Notes are outstanding, and to pay costs of issuing the Notes.

The Notes are to be issued under and in full compliance with the Constitution and laws of the State of New York, including the Local Finance Law, constituting Chapter 33-a of the Consolidated Laws of New York, and a tax anticipation note ordinance adopted by the Board of Supervisors as the predecessor legislative body to the County Legislature and approved by the County Executive pursuant to the Local Finance Law, the County Charter and the County Administrative Code and other related proceedings and determinations.

The Notes are general obligations of the County, for the payment of which the County has pledged its full faith and credit. All of the taxable real property within the County is subject to the levy of ad valorem taxes without limitation as to rate or amount to pay both the principal of and interest on the Notes.

Optional Redemption

The Notes will not be subject to optional redemption prior to maturity.

Book-Entry System

The Notes will be issued to and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), as registered owner of the Notes and each such note shall be immobilized in the custody of DTC. DTC will act as securities depository for the Notes. Individual purchases will be made in book-entry form only, in the principal amount of $5,000 or any integral multiple thereof. Purchasers will not receive physical delivery of certificates representing their interest in the Notes purchased. The winning bidder, as a condition to delivery of the Notes, will be required to deposit the note certificates with DTC.

Principal of and interest on the Notes will be payable by the County by wire transfer or in clearinghouse funds to DTC or its nominee as registered owner of the Notes. Transfer of principal and interest payments to beneficial owners of the Notes by participants of DTC ("Participants") will be the responsibility of Participants and other nominees of beneficial owners. The County will not be responsible or liable for such transfers of payments or for maintaining, supervising or reviewing the records maintained by DTC, Participants or persons acting through Participants.

Change of Bid Date and Closing Date

The County reserves the right to postpone, from time to time, the date established for the receipt of bids and will undertake to notify registered prospective bidders via email notification sent by PFMAuction. Such changes will also be published on the Amendments Page at www.pfmauction.com. Prospective bidders may request notification by facsimile transmission of any such changes in the date or time for the receipt of bids by so advising, and furnishing their telecopier numbers to Public Financial Management at 212-809-4212 by 12 NOON, Eastern time, on the day prior to the announced date for receipt of bids.

A postponement of the bid date will be announced via PFMAuction not later than 4:00 P.M., Eastern time, on the last business day prior to any announced date for receipt of bids, and an alternative sale date and time will be announced via PFMAuction.

On any such alternative date and time for receipt of bids, the County will accept electronic bids for the purchase of the Notes, such bids to conform in all respects to the provisions of this Notice of Sale, except for the changes in the date and time for receipt of bids and any other changes announced via PFMAuction.

The County may change the scheduled delivery date for the Notes by notice given in the same manner as that set forth for a change in the date for the receipt of bids. See "Delivery" below.

Adjustment of Principal Amounts

The aggregate principal amount of the Notes is subject to adjustment by the County, both before and after the receipt of bids for their purchase. Changes to be made prior to the sale will be published on PFMAuction not later than 9:30 A.M. prevailing Eastern time on the date of sale and will be used to compare bids and select a winning bidder. Changes to be made after the sale and the maturity amount for the Notes will be communicated to the successful bidder by 3:00 P.M prevailing Eastern time on the date of the sale, and will not reduce or increase the aggregate principal amount of the Notes by more than 10% from the amount bid upon. The dollar amount bid by the successful bidder shall be adjusted to reflect any adjustments in the principal amount of the Notes to be issued. The adjusted bid price will reflect changes in the dollar amount of the underwriter's discount and the original issue premium or discount, but will not change the per thousand underwriter's discount as calculated from the bid and initial offering prices (as herein defined) required to be delivered to the County as stated herein. The coupon rate specified by the successful bidder will not change. The successful bidder may not withdraw its bid as a result of any changes made within these limits.

Basis of Award

The Notes will be awarded to the bidder or bidders offering the lowest net interest cost, that being the rate of interest which will produce the least interest cost over the life of the Notes, after accounting for the premium offered, if any. In the event bids offering the same lowest net interest cost are received, an award will be made to the bidder offering to purchase the greater principal amount of the Notes. If two or more bids offering to purchase the same principal amount of Notes at the same lowest net interest rate are received, an award will be made by lot from among such lowest bids. The right is reserved by the County to award to any bidder all or any part of the Notes which such bidder offers to purchase and, in such event, the premium, if any, specified by such bidder will be pro-rated. In any event, the award of the Notes will be made on the basis of the bid or combination of bids offering to purchase the Notes on terms most favorable to the County. The County reserves the right to reject any and all bids, and to reject any bid not complying with this Notice of Sale.

In awarding the Notes, the County may accept a bid in a principal amount less than the principal amount bid (including a principal amount less than $5,000,000) in order that the total amount of bids accepted total the amount of Notes to be issued.

Procedures for Electronic Bidding

Bids must be submitted electronically via PFMAuction pursuant to this Notice until 11:00 A.M. for the Series A Notes and 11:05 A.M. for the Series B Notes, prevailing Eastern time, but no bid will be received after the time for receiving bids specified above. To the extent any instructions or directions set forth in PFMAuction conflict with this Notice, the terms of this Notice shall control. Sale of the Series A Notes and the Series B Notes will be held as separate auctions. However, bidders wishing to bid on both series of notes will have the ability to switch between the auctions for the Series A Notes and the Series B Notes during the auction period via a toggle button on PFMAuction. Further information about PFMAuction, including registration requirements, may be obtained from Grant Street Group, the parent of PFMAuction, at (412) 391-5555 ext. 370 (auction support).

Disclaimer

Each prospective electronic bidder shall be solely responsible to submit its bid via PFMAuction as described above. Each prospective electronic bidder shall be solely responsible to make necessary arrangements to access PFMAuction for the purpose of submitting its bid in a timely manner and in compliance with the requirements of the Notice of Sale. Neither the County nor PFMAuction shall have any duty or obligation to provide or assure access to PFMAuction to any prospective bidder, and neither the County nor PFMAuction shall be responsible for proper operation of, or have any liability for any delays or interruptions of, or any damages caused by PFMAuction. The County is using PFMAuction as a communication mechanism, and not as the County's agent, to conduct the electronic bidding for the Notes. The County is not bound by any advice and determination of PFMAuction to the effect that any particular bid complies with the terms of this Notice of Sale and in particular the “Bid Parameters” hereinafter set forth. All costs and expenses incurred by prospective bidders in connection with their submission of bids via PFMAuction are the sole responsibility of the bidders; and the County is not responsible, directly or indirectly, for any of such costs or expenses. If a prospective bidder encounters any difficulty in submitting, modifying, or withdrawing a bid for the Notes, such bidder should telephone PFMAuction at (412) 391-5555 ext. 370 (auction support) and notify the County’s Financial Advisor, Public Financial Management by facsimile at (212) 809-4212.

Electronic Bidding Procedures

All bids must be submitted only on the PFMAuction website located at www.pfmauction.com. No other provider of Internet bidding services and no other means of delivery (i.e. telephone, e-mail, facsimile or physical delivery) will be accepted. The auction for the Notes will begin at 10:30 A.M. prevailing Eastern time for all of the Notes and will end at 11:00 A.M. prevailing Eastern time for the Series A Notes and 11:05 A.M. prevailing Eastern time for the Series B Notes, on November 30, 2006; provided, however, if any bid becomes a leading bid within two (2) minutes prior to the end of the auction, then the auction will be extended by two (2) minutes from the time such new leading bid is received by PFMAuction (the “Two-Minute Rule”). The auction end time will continue to be extended, indefinitely, until all leading bid(s) remain the leading bid(s) for at least two minutes.

To bid via the PFMAuction website, bidders must have both (1) completed the registration form on the PFMAuction website by the deadline established by PFMAuction, and (2) requested and received admission to the County’s auction, as described below. Only NASD registered broker-dealers and dealer banks with DTC clearing arrangements are eligible to bid. The use of PFMAuction shall be at the bidder’s risk and none of the County, the Financial Advisor nor Orrick, Herrington & Sutcliffe LLP, Bond Counsel, shall be responsible for, and each bidder expressly assumes the risk of any incomplete, inaccurate or untimely bids caused by reason of garbled transmissions, mechanical failure, slow or engaged telephone or telecommunications lines or any other cause. The County is not bound by any advice and determination of PFMAuction to the effect that any particular bid complies with the terms of this Notice of Sale. All costs and expenses incurred by prospective bidders in connection with their submission of bids through PFMAuction are the sole responsibility of the bidders, and the County is not responsible for any of such costs or expenses.

The “Rules of PFMAuction” can be viewed on the PFMAuction website and are made a part hereof. Bidders must comply with the Rules of PFMAuction in addition to the requirements of this Notice of Sale. In the event the Rules of PFMAuction conflict with this Notice of Sale, this Notice of Sale shall prevail.

For purposes of the Internet bidding process, the time as displayed on the PFMAuction Auction Page shall constitute the official time. All bids shall be deemed to incorporate the provisions of this Notice of Sale.

Bid Parameters

Bidders are required to submit unconditional bids specifying the rate of interest and premium, if any, at which the bidder will purchase all or any portion of the Notes. Interest shall be bid in multiples of $1/20^{th}$ or $1/8^{th}$ percent. No bid for less than $5,000,000 principal amount of the Notes will be entertained, and all bids must be in multiples of $1,000,000. The interest rate to be borne by the Notes shall not exceed five percent (5.00%). Notes may bear different interest rates and bidders may submit bids for Notes with different interest rates. No "all or none" bids will be accepted. Bidders shall specify (i) the principal amount of the Notes to be purchased pursuant to such bid, (ii) the interest rate to be borne by the Notes, (iii) the amount of premium, if any, that they will pay, in addition to the principal amount, to purchase the Notes, and (iv) the total purchase price, which price shall not be less than the principal amount of Notes bid for. No bid to purchase the Notes at less than par will be accepted. Separate proposals to purchase any part of the Notes may be contained in the same electronic bid as a convenience to the bidder. If more than one electronic bid is submitted by the same bidder, for any part of the Notes, each such bid shall be considered as a separate proposal for purchase of such part and no such bid for less than $5,000,000 principal amount of the Notes shall be entertained. Bidders may change and submit bids as many times as they wish during the auction, provided, however, that each bid submitted subsequent to a bidder's initial bid must result in a lower net interest cost when compared to the immediately preceding bid of such bidder. During the bidding, no bidder will see any other bidder's bid, but each bidder will be able to see whether its bid(s) are "in the money" or "out of the money." All bids must be made in accordance with the requirements prescribed herein and the Rules of PFMAuction, as referenced herein. Each bid submitted through PFMAuction shall be deemed an irrevocable offer to purchase all or that portion of the Notes specified in the bid on the terms provided in this Notice of Sale, and shall be binding upon the bidder. The Notes are expected to be awarded at approximately 3:00 P.M. prevailing Eastern time on November 30, 2006. All proposals shall remain firm until the time of award.

Approving Legal Opinion

The approving legal opinion of Orrick, Herrington & Sutcliffe LLP, New York, New York, Bond Counsel, will be furnished to the purchasers without cost. There will also be furnished the usual closing papers and, in addition, a certificate signed by appropriate officers of the County, certifying that there is no litigation pending or, to the knowledge of the signers of such certificate, threatened affecting the validity of the Notes and that on the date of the Official Statement for the Notes, the Official Statement did not contain any untrue statements of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, subject to the condition that while information in the Official Statement obtained from sources other than the County is not guaranteed as to accuracy, completeness or fairness, said officer has no reason to believe and does not believe that such information is materially inaccurate or misleading; and to his or her knowledge, since the date of the Official Statement there have been no material transactions not in the ordinary course of affairs entered into by such County and no material adverse changes in the general affairs of such County or in its financial condition as shown in the Official Statement other than as disclosed in or contemplated by the Official Statement.

Preliminary Official Statement; Continuing Disclosure

The County has deemed the Preliminary Official Statement dated November 22, 2006 to be final as of its date for purposes of Rule 15c2-12 of the Securities and Exchange Commission, except for the omission of certain information permitted to be omitted by said Rule. The County agrees to deliver to the successful bidder for its receipt no later than seven business days after the date of sale of the Notes such quantities of the final official statement as the successful bidder shall request; provided, that the County shall deliver up to 300 copies of such official statement without charge to the successful bidder.

The County has made certain covenants for the benefit of the holders from time to time of the Notes to provide certain continuing disclosure, in order to assist bidders for the Notes in complying with Rule 15c2-12(b)(5) of the Securities and Exchange Commission. Such covenants are described in the Preliminary Official Statement dated November 22, 2006.

Delivery

The Notes will be delivered on or about December 8, 2006 (UNLESS A NOTICE OF A CHANGE IN THE DELIVERY DATE IS ANNOUNCED ON PFMAUCTION NOT LATER THAN 4:00 P.M., EASTERN TIME, ON THE LAST BUSINESS DAY PRIOR TO ANY ANNOUNCED DATE FOR RECEIPT OF BIDS) through the facilities of DTC in the City of New York, New York, against payment therefor in federal or other immediately available funds.

Good Faith Deposit

No good faith deposit is required to be submitted with bids.

Verification

All bids are subject to verification and approval by the County. The County shall have the right to deem each final bid reported on the PFMAuction Observation Page immediately after the deadline for receipt of bids to be accurate and binding on the bidder. Information or calculations provided by PFMAuction other than the information required to be provided by the bidder in accordance with this Notice of Sale is for informational purposes only and shall not be binding on any of the bidder and the County.

Miscellaneous

As a condition to the award of the Notes, the successful bidder shall be required to communicate to the County the initial offering price at which a bona fide offering of Notes has been made to the public. Furthermore, as a condition to the delivery of the Notes, the successful bidder shall be required to certify that a bona fide offering of the Notes has been made to the public (excluding bond houses, brokers and other intermediaries) and such initial offering price by written certificate, such certificate to be in form and substance reasonably satisfactory to the County's bond counsel.

It is expected that CUSIP numbers will be printed on the Notes. However, the validity, sale, delivery or acceptance of the Notes will not be affected in any manner by any failure to print, or any error in printing, the CUSIP numbers on said Notes, or any of them. All expenses in relation to the printing of CUSIP numbers on the Notes shall be paid for by the County, provided, however, that the CUSIP Service Bureau charge for the assignment of said numbers shall be the responsibility of and shall be paid for the by successful bidder.

The County reserves the right to reject any or all bids, or to waive any irregularity or informality in any bid.

The County will be holding an investors conference call related to the Notes prior to the sale date. Details of the conference call will be made available via notice from i-Deal, or can be obtained by contacting Nancy Winkler or Edward Lin at Public Financial Management, 60 Broad Street, Suite 3602, New York, New York 10004 (tel. 212-809-4212).

The Preliminary Official Statement relating to the Notes may be downloaded from the County's website at http://www.nassaucountyny.gov/treasurer. Questions may be directed to the undersigned at Nassau County, New York, Office of the County Treasurer, County Office Building, 240 Old Country Road, Mineola, New York 11501 (tel. 516-571-2090), or to Nancy Winkler or Edward Lin at Public Financial Management (tel. 212-809-4212).

NASSAU COUNTY, NEW YORK

Dated: November 22, 2006

By: Steven D. Conkling
County Treasurer

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APPENDIX J

CASH FLOW STATEMENTS

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2005 CASH FLOWS (ACTUAL)

	Jan-05	Feb-05	Mar-05	Apr-05	May-05	Jun-05	Jul-05	Aug-05	Sep-05	Oct-05	Nov-05	Dec-05	Summary	Note
Opening Cash Balance	**$218,198,715**	**$133,225,418**	**$195,620,084**	**$228,925,322**	**$210,300,017**	**$181,124,071**	**$107,051,382**	**$54,191,020**	**$150,119,848**	**$164,571,803**	**$161,758,163**	**$59,351,221**	**$218,198,715**	**1**
Receipts														
Receipt of Tax Levies	0	175,025,678	197,312,371	61,400	(1,019,228)	(3,746,847)	(5,845,390)	218,970,433	117,490,289	21,037	0	0	**698,269,742**	
Fed Aid, State Aid	9,904,700	21,626,790	40,071,831	26,300,652	37,448,732	15,505,925	25,192,313	16,202,608	16,279,232	41,014,782	25,433,389	37,267,957	**312,248,911**	
Non Tax	17,392,617	20,245,074	9,993,072	16,304,870	22,808,882	12,649,361	15,070,107	16,620,158	13,581,219	15,086,186	15,891,097	19,530,922	**195,173,565**	
Sales Tax (Nassau portion)	51,015,579	71,755,349	52,528,153	70,632,950	61,695,137	97,341,367	52,411,462	69,143,359	63,231,553	83,940,453	61,556,656	95,980,425	**831,232,443**	
Other Receipts	12,120,174	16,235,168	4,992,990	19,915,744	9,529,563	(8,324,842)	(31,918,888)	21,470,917	(4,036,562)	753,538	(29,476,432)	105,345,453	**116,606,824**	**2**
RAN/TAN Received	0	0	0	0	0	0	0	0	0	0	0	120,000,000	**120,000,000**	
Total Cash Receipts	**90,433,070**	**304,888,059**	**304,898,417**	**133,215,616**	**130,463,085**	**113,424,964**	**54,909,604**	**342,407,474**	**206,545,731**	**140,815,997**	**73,404,710**	**378,124,758**	**2,273,531,485**	
Disbursements														
Salaries & Fringes	88,848,619	172,378,005	129,848,675	83,282,542	78,411,345	92,948,475	79,902,928	81,565,184	98,560,213	81,875,622	92,875,100	166,965,992	**1,247,462,700**	**3**
Other Expenses	26,713,993	24,913,390	18,068,141	19,804,529	26,273,630	15,726,473	19,650,668	41,722,131	22,296,901	15,769,404	15,375,298	12,970,073	**259,284,631**	
Debt Service	10,746,766	184,920	52,320,593	735,753	10,514,789	17,943,693	18,414,650	3,769,437	33,149,826	8,446,977	17,478,288	1,870,453	**175,576,144**	
Social Services	33,953,567	42,966,533	56,388,279	38,581,371	41,209,166	36,886,035	34,771,566	37,680,276	40,070,810	33,009,361	48,600,995	42,800,671	**486,918,632**	
Local Governments Assistance	128,097	0	12,948,230	0	0	13,253,668	0	141,378	14,506,206	9,237	14,666,489	0	**55,653,305**	
Transfers Between Funds	(2,725,746)	(18,990,288)	(5,647,976)	1,022,656	(21,180,754)	172,552	(55,424,864)	59,366,644	(24,951,663)	(3,745,162)	(21,029,378)	86,311,221	**(6,822,757)**	**4**
Other Disbursements	13,907,072	21,498,233	9,882,235	7,954,571	20,475,356	11,954,755	13,007,718	21,629,677	9,756,283	9,327,097	4,437,061	11,280,352	**155,110,409**	
RAN/TAN Paid	0	**0**	0	0	0	0	0	0	0	0	0	0	**0**	
Total Cash Disbursements	**171,572,368**	**242,950,793**	**273,808,178**	**151,381,422**	**155,703,531**	**188,885,652**	**110,322,666**	**245,874,727**	**193,388,576**	**144,692,537**	**172,403,852**	**322,198,762**	**2,373,183,064**	
Adjustments by Treasury	(3,834,000)	457,400	2,215,000	(459,500)	(3,935,500)	1,388,000	2,552,700	(603,920)	1,294,800	1,062,900	(3,407,800)	3,784,800	**514,880**	
Cash Flow for Period	**(84,973,297)**	**62,394,666**	**33,305,239**	**(18,625,306)**	**(29,175,946)**	**(74,072,689)**	**(52,860,362)**	**95,928,828**	**14,451,955**	**(2,813,640)**	**(102,406,942)**	**59,710,796**	**(99,136,699)**	
Ending Cash Balance	**133,225,418**	**195,620,084**	**228,925,322**	**210,300,017**	**181,124,071**	**107,051,382**	**54,191,020**	**150,119,848**	**164,571,803**	**161,758,163**	**59,351,221**	**119,062,016**	**$119,062,016**	**5**
Liquid Funds Available(Tobacco & SSW)	**$115,008,422**	**87,541,422**	**122,783,422**	**117,920,422**	**112,938,422**	**109,137,422**	**47,599,422**	**98,803,422**	**93,599,422**	**157,756,577**	**136,206,136**	**120,423,577**		**4**
Ending Liquid Cash Balance	**248,233,840**	**283,161,506**	**351,708,744**	**328,220,439**	**294,062,493**	**216,188,804**	**101,790,442**	**248,923,270**	**258,171,225**	**319,514,740**	**195,557,357**	**239,485,593**		
Opening Cash Balance	218,198,715	133,225,418	195,620,084	228,925,322	210,300,017	181,124,071	107,051,382	54,191,020	150,119,848	164,571,803	161,758,163	59,351,221		
Total Cash Receipts	90,433,070	304,888,059	304,898,417	133,215,616	130,463,085	113,424,964	54,909,604	342,407,474	206,545,731	140,815,997	73,404,710	378,124,758		
Total Cash Disbursements	$171,572,368	$242,950,793	$273,808,178	$151,381,422	$155,703,531	$188,885,652	$110,322,666	$245,874,727	$193,388,576	$144,692,537	$172,403,852	$322,198,762		
RAN/TAN Paid	0	0	0	0	0	0	0	0	0	0	0	0		
Note Ran/Tan Debt Coverage														

Footnotes:

1. Summary column shows opening cash balance for 2005, and ending cash balance for the period.

2. Advances to support accelerated tax refund payments (Oct, Nov & Dec) - paid back after NIFA deal closes December 15th 2005.

3. Two Pension Payment Anticipated in 2005 - February 1st & December 15th 2005.

4. July/August Transfers between funds include $55,795,000 borrowed from Tobacco in July and paid back in August 2005 thereby Reducing Liquidity in Tobacco & SSW by the same.

4. December 2005 Transfers include funding Retirement, Employee Benefit Accrues Liability, & Bonded Indebtedness Reserve Funds total $69,577,000.00

5. Monthly cash flow equals receipts less disbursements after adjustments by the Treasury Department.E32

2006 CASH FLOWS (ACTUAL THROUGH SEPTEMBER)

	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06	2006 Summary	Foot Note	YTD Actuals thru Sept 06
Opening Cash Balance	**$119,062,017**	**$72,938,024**	**$129,545,326**	**$303,285,737**	**$277,725,419**	**$182,746,744**	**$62,112,570**	**$31,950,703**	**$202,309,802**	**$216,132,112**	**$120,045,190**	**$69,700,416**	**$119,062,017**	1	**$119,062,017**
Receipts															
Receipt of Tax Levies	0	103,250,477	293,660,025	141,732	(2,080,688)	(16,868,519)	(5,042,649)	189,983,221	137,062,075	0	0	0	**700,105,673**		**700,105,673**
Fed Aid, State Aid	21,893,054	28,614,561	43,949,285	9,676,367	17,910,968	33,544,063	12,635,837	27,999,110	17,008,231	22,639,420	12,805,342	39,267,146	**287,943,384**		**213,231,476**
Non Tax	41,470,786	12,799,695	14,378,773	16,250,977	15,814,244	19,098,455	14,823,965	15,631,948	13,774,446	35,697,841	29,447,709	32,570,539	**261,759,379**		**164,043,290**
Sales Tax (Nassau portion)	46,271,414	73,744,095	56,548,263	81,568,584	63,585,463	96,294,046	51,699,890	67,883,235	62,581,794	82,155,219	60,828,035	92,471,197	**835,631,235**		**600,176,784**
Other Receipts	10,451,370	23,938,506	30,195,246	7,455,894	(2,274,858)	(72,773,640)	28,024,110	26,448,616	985,166	17,060,555	11,709,148	30,894,982	**112,115,096**		**52,450,410**
RAN/TAN Received	0	0	0	0	0	0	0	0	0	0	0	150,000,000	**150,000,000**		**0**
Total Cash Receipts	**120,086,622**	**242,347,334**	**438,731,592**	**115,093,554**	**92,955,129**	**59,294,405**	**102,141,153**	**327,946,130**	**231,411,712**	**157,553,035**	**114,790,235**	**345,203,865**	**2,347,554,767**		**1,730,007,633**
Disbursements															
Salaries & Fringes	88,575,134	84,600,288	115,488,050	77,432,439	81,954,628	92,761,097	85,092,775	110,837,657	80,610,295	76,484,836	76,632,833	223,203,770	**1,193,673,802**		**817,352,363**
Other Expenses	21,013,443	24,031,301	18,943,955	17,282,655	22,397,709	15,857,639	16,383,130	55,665,108	14,876,073	21,822,697	24,074,569	22,237,019	**274,585,300**		**206,451,014**
Debt Service	10,645,221	95,753	41,025,043	442,488	8,299,176	15,060,179	14,075,977	3,850,753	30,092,476	5,554,274	14,715,807	583,091	**144,440,235**		**123,587,064**
Social Services	38,055,720	33,538,253	32,945,230	36,520,085	40,696,699	34,863,528	50,690,163	26,315,300	28,312,502	37,256,058	26,160,605	26,310,639	**411,664,782**		**321,937,480**
Local Governments Assistance	372,928	10,814,608	3,181,261	888,053	80,812	14,505,390	0	11,178,518	0	955,734	4,873,805	11,779,163	**58,630,272**		**41,021,570**
Transfers Between Funds	(6,378,069)	5,842,383	43,280,277	(796,156)	9,159,741	(2,936,181)	(51,601,047)	(64,417,049)	52,265,252	(3,824,347)	(10,081,523)	(6,941,277)	**(36,427,997)**	2	**(15,580,850)**
Other Disbursements	14,162,238	22,947,847	13,616,365	9,430,009	22,947,040	12,257,527	10,991,522	20,824,244	10,116,304	9,388,255	11,218,171	15,277,042	**173,176,565**		**137,293,097**
RAN/TAN Paid	0	**0**	0	0	0	0	0	0	0	106,002,450	17,540,741	0	**123,543,191**		**0**
Total Cash Disbursements	**166,446,615**	**181,870,433**	**268,480,181**	**141,199,572**	**185,535,805**	**182,369,179**	**125,632,520**	**164,254,531**	**216,272,902**	**253,639,957**	**165,135,009**	**292,449,446**	**2,343,286,150**		**1,632,061,738**
Adjustments by Treasury	236,000	(3,869,600)	3,489,000	545,700	(2,398,000)	2,440,600	(6,670,500)	6,667,500	(1,316,500)	0	0	0	**(875,800)**		**(875,800)**
Cash Flow for Period	**(46,123,993)**	**56,607,302**	**173,740,411**	**(25,560,318)**	**(94,978,676)**	**(120,634,174)**	**(30,161,867)**	**170,359,099**	**13,822,310**	**(96,086,922)**	**(50,344,774)**	**52,754,419**	**3,392,817**		**97,070,095**
Ending Cash Balance	**72,938,024**	**129,545,326**	**303,285,737**	**277,725,419**	**182,746,744**	**62,112,570**	**31,950,703**	**202,309,802**	**216,132,112**	**120,045,190**	**69,700,416**	**122,454,834**	**$122,454,834**	3	**$216,132,112**
Liquid Funds Available(Tobacco & SSW)	**116,051,789**	**116,051,789**	**153,359,667**	**149,150,573**	**139,216,070**	**133,487,268**	**76,353,484**	**85,981,996**	**139,728,511**	**131,728,511**	**123,728,511**	**115,728,511**			
Ending Liquid Cash Balance	**188,989,813**	**245,597,115**	**456,645,404**	**426,875,992**	**321,962,814**	**195,599,838**	**108,304,187**	**288,291,798**	**355,860,624**	**251,773,701**	**193,428,927**	**238,183,346**			
Opening Cash Balance	119,062,017	72,938,024	129,545,326	303,285,737	277,725,419	182,746,744	62,112,570	31,950,703	202,309,802	216,132,112	120,045,190	69,700,416			
Total Cash Receipts	120,086,622	242,347,334	438,731,592	115,093,554	92,955,129	59,294,405	102,141,153	327,946,130	231,411,712	157,553,035	114,790,235	345,203,865			
Total Cash Disbursements	$166,446,615	$181,870,433	$268,480,181	$141,199,572	$185,535,805	$182,369,179	$125,632,520	$164,254,531	$216,272,902	253,639,957	165,135,009	$292,449,446			
RAN/TAN Paid	0	0	0	0	0	0	0	0	0	$106,002,450	$17,540,741	0			
Note Ran/Tan Debt Coverage										**2.13**	**4.97**				

Footnotes:
1. Summary column shows opening cash balance for 2006, and ending cash balance for the period.
2. March Transfers include funding Capital/Tax Certs of $50 million to Reserve Fund.
3. Monthly cash flow equals receipts less disbursements after adjustments by the Treasury Department.

2007 CASH FLOWS (PROJECTED)

	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07	Summary	Note	thru Jan 07
Opening Cash Balance	**$122,454,834**	**$47,789,227**	**$218,721,262**	**2$85,294,021**	**2$95,406,838**	**$225,003,297**	**$103,939,242**	**$43,737,849**	**$147,255,431**	**$105,807,831**	**$67,744,832**	**$20,088,117**	**$122,454,834**	1	**$122,454,834**
Receipts															
Receipt of Tax Levies	0	192,363,551	203,511,711	(488,065)	(1,619,304)	(11,302,097)	(7,867,656)	200,436,649	132,520,776	2,454,204	129	0	**710,009,898**		**0**
Fed Aid, State Aid	21,651,519	23,719,029	37,800,113	16,947,204	17,137,927	30,365,187	21,228,449	21,801,348	27,565,988	27,036,544	16,290,102	45,450,653	**306,994,062**		**45,370,548**
Non Tax	10,623,959	18,631,087	15,370,259	14,754,017	15,781,742	15,081,757	20,466,747	17,029,620	18,591,573	31,106,081	24,048,243	26,354,010	**227,839,095**		**29,255,046**
Sales Tax (Nassau portion)	55,463,762	68,999,070	55,836,420	82,572,297	64,017,363	99,333,231	51,666,786	69,424,818	65,553,886	84,958,005	63,099,326	95,531,068	**856,456,033**		**124,462,833**
Other Receipts	10,854,069	18,180,829	4,815,268	21,601,752	7,500,267	(76,956,587)	30,106,000	20,958,667	15,258,260	17,079,161	11,797,443	30,995,737	**112,190,865**		**29,034,898**
RAN/TAN Received	0	0	0	0	0	0	0	0	0	0	0	0	**0**		**0**
Total Cash Receipts	**98,593,309**	**321,893,565**	**317,333,771**	**135,387,205**	**102,817,996**	**56,521,492**	**115,600,325**	**329,651,101**	**259,490,483**	**162,633,996**	**115,235,242**	**198,331,468**	**2,213,489,954**		**420,486,874**
Disbursements															
Salaries & Fringes	85,453,529	87,796,797	96,392,163	88,901,590	92,687,111	96,459,681	94,406,187	115,920,439	92,149,049	93,936,681	93,109,451	115,042,362	**1,152,255,041**		**173,250,326**
Other Expenses	32,248,523	17,909,211	33,720,680	16,156,508	20,957,708	20,134,840	23,452,658	39,536,801	24,288,504	15,015,821	17,205,811	15,183,473	**275,810,538**		**50,157,733**
Debt Service	15,961,445	700,936	37,232,942	36,976	8,571,046	2,941,158	7,670,247	4,091,322	27,560,965	5,495,673	13,414,283	1,242,925	**124,919,919**		**16,662,381**
Social Services	47,060,265	27,773,655	34,029,921	32,186,077	28,003,250	31,108,047	33,340,531	26,114,067	39,495,779	48,239,581	36,843,011	36,906,152	**421,100,336**		**74,833,920**
Local Governments Assistance	64,049	13,532,363	1,900,472	(4,115)	3,738,295	11,165,552	1,598,051	14,100,953	(3,889)	118,213	4,264,607	11,572,371	**62,046,922**		**13,596,412**
Transfers Between Funds	(23,200,746)	(18,990,288)	32,706,849	(25,377,344)	(2,960,646)	172,552	370,136	3,571,644	37,063	(26,261,188)	(16,348,226)	(5,816,043)	**(82,096,237)**		**(42,191,034)**
Other Disbursements	15,671,853	22,238,856	14,777,985	13,374,695	22,224,773	15,603,717	14,963,907	22,798,294	14,555,501	12,573,104	14,403,020	14,461,891	**197,647,595**		**37,910,708**
RAN/TAN Paid	0	**0**	0	0	0	0	0	0	102,855,111	51,579,111	0	0	**154,434,222**		**0**
Total Cash Disbursements	**173,258,916**	**150,961,530**	**250,761,012**	**125,274,388**	**173,221,537**	**177,585,547**	**175,801,718**	**226,133,519**	**300,938,083**	**200,696,995**	**162,891,957**	**188,593,132**	**2,306,118,335**		**324,220,447**
Adjustments by Treasury	0	0	0	0	0	0	0	0	0	0	0	0	**0**		**0**
Cash Flow for Period	**(74,665,607)**	**170,932,035**	**66,572,759**	**10,112,817**	**(70,403,541)**	**(121,064,055)**	**(60,201,393)**	**103,517,582**	**(41,447,599)**	**(38,062,999)**	**(47,656,715)**	**9,738,336**	**(92,628,382)**		**96,266,428**
Ending Cash Balance	**47,789,227**	**218,721,262**	**285,294,021**	**295,406,838**	**225,003,297**	**103,939,242**	**43,737,849**	**147,255,431**	**105,807,831**	**67,744,832**	**20,088,117**	**29,826,453**	**$29,826,453**	2	**$218,721,262**
Liquid Funds Available(Tobacco & SSW)	**106,728,511**	**97,728,511**	**148,194,666**	**139,194,666**	**130,194,666**	**121,194,666**	**112,194,666**	**103,194,666**	**153,660,820**	**144,660,820**	**135,660,820**	**126,660,820**			
Ending Liquid Cash Balance	**154,517,739**	**316,449,773**	**433,488,687**	**434,601,504**	**355,197,962**	**225,133,907**	**155,932,515**	**250,450,096**	**259,468,652**	**212,405,652**	**155,748,937**	**156,487,273**			
Opening Cash Balance	122,454,834	47,789,227	218,721,262	285,294,021	295,406,838	225,003,297	103,939,242	43,737,849	147,255,431	105,807,831	67,744,832	20,088,117			
Total Cash Receipts	98,593,309	321,893,565	317,333,771	135,387,205	102,817,996	56,521,492	115,600,325	329,651,101	259,490,483	162,633,996	115,235,242	198,331,468			
Total Cash Disbursements	$173,258,916	$150,961,530	$250,761,012	$125,274,388	$173,221,537	$177,585,547	$175,801,718	$226,133,519	300,938,083	200,696,995	162,891,957	188,593,132			
RAN/TAN Paid	0	0	0	0	0	0	0	0	$102,855,111	51,579,111	0	0			
Note Ran/Tan Debt Coverage									**2.03**	**2.31**					

Footnotes:

1. Summary column shows opening cash balance for 2007, and ending cash balance for the period.

2. Monthly cash flow equals receipts less disbursements after adjustments by the Treasury Department.

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